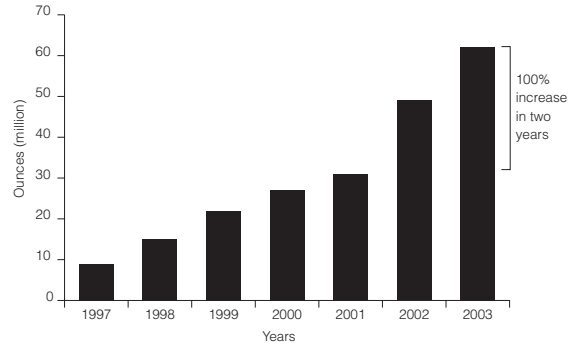


HARMONY 2003

**THIS YEAR'S
ANNUAL REPORT
CONVEYS EXACTLY
WHO WE ARE, WHAT
WE HAVE DONE,
WHAT WE ARE
DOING AND WHERE
WE ARE GOING.**

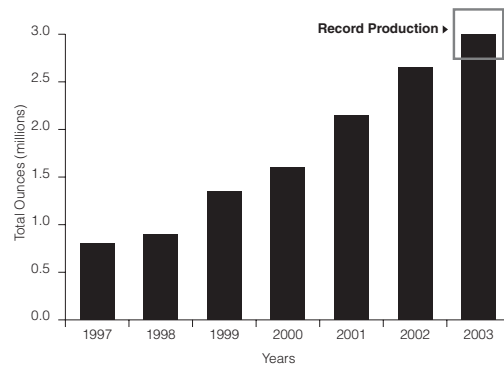
NO FUSS, NO FRILLS.

Total Reserves

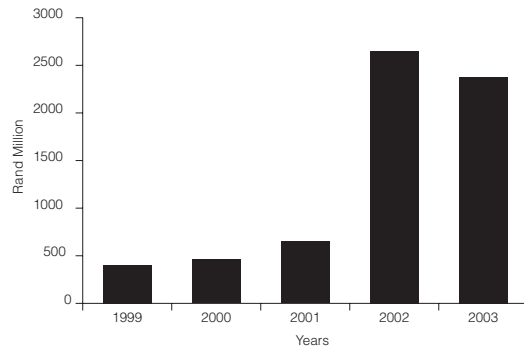


note Ore Reserve statement includes 100% of ARMgold reserves
Excludes Target's ounces

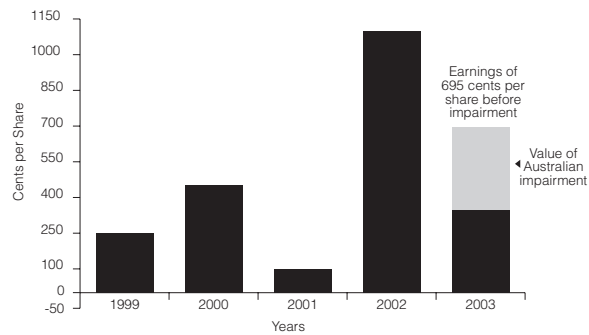
Gold Production



Cash Operating Profit



Earnings Per Share



ANNUAL HIGHLIGHTS

- BECOMING SOUTH AFRICA'S LARGEST GOLD PRODUCER FOLLOWING THE MERGER BETWEEN HARMONY AND ARMGOLD
- BECOMING THE FIFTH LARGEST GOLD PRODUCER IN THE WORLD IN 2004
- ACHIEVING AN INCREASE OF 12% IN PRODUCTION FROM 2.7 MILLION OUNCES TO A RECORD 3.0 MILLION OUNCES
- RETURNING RECORD CASH OPERATING PROFIT OF US\$260 MILLION
- OWNING THE WORLD'S LARGEST GOLD RESOURCE OF 410 MILLION OUNCES OF WHICH 62 MILLION OUNCES ARE IN THE RESERVE CATEGORY
- ENSURING THAT HARMONY WILL BE MINING IN SOUTH AFRICA WELL INTO THE FUTURE WITH THE APPROVAL OF ORGANIC GROWTH PROJECTS
- MAKING SIGNIFICANT PROGRESS INCORPORATING THE FREE GOLD AND HILL 50 ASSETS
- ACQUIRING A 34.5% STRATEGIC STAKE IN AVMIN AND AN EFFECTIVE 26.1% STAKE IN AVGOLD
- MAKING HARMONY ONE OF THE MOST TRADED GOLD STOCKS GLOBALLY, INCREASING LIQUIDITY FROM 410% TO 448%
- HAVING MORE THAN 50% OF HARMONY'S STOCK TRADED ON THE NEW YORK STOCK EXCHANGE

SECTION 1

CHAIRMAN'S OVERVIEW

SECTION 1

CHAIRMAN'S OVERVIEW

IN OTHER WORDS

Through the merger with ARMgold we created South Africa's largest gold producer. We believe that the merged company will be a role model in the South African environment where transformation has become a significant factor.

Over the past year, the benefits of a strong US Dollar gold price were largely negated by the strengthening South African Rand and rising costs.

Although our short-term focus is on increasing profit margins and containing costs, we continue to invest in the long-term sustainability of Harmony.

SECTION 1

CHAIRMAN'S REVIEW

During 2002/03 Harmony established itself as a major gold producer, both in South Africa and internationally. This was achieved during a time when our operational environment was significantly influenced by a host of internal and external factors.

The most important event in the history of the company, both in terms of significance and size, was the merger between Harmony and ARMgold. Not only did the merger create South Africa's largest gold producer, it also created a globally competitive company which is recognised as a role model in the South African mining industry. We believe that Harmony is now representative of the new South Africa and from a legal perspective complies with the equity requirements of the Broad-Based Socio-Economic Empowerment Bill. We are committed to those initiatives which are aimed at making South Africa a competitive and attractive destination for mining related investors.

Merging the two companies was an important strategic step in the growth plans of both Harmony and ARMgold. We shared one of the industry's best gold assets in Free Gold and from a cultural, operational and strategic perspective, the fit seemed natural.

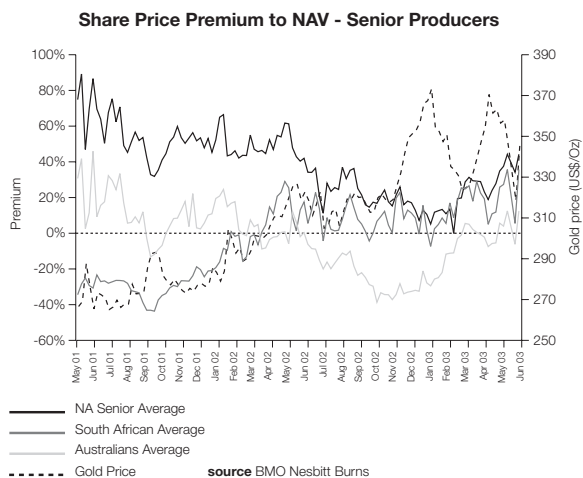
As the fifth-largest gold producer in the world, the company is now internationally more competitive and will continue to look for value-adding opportunities in the major gold-producing regions of the world.

The most significant external factor this year was the continued strength of the US Dollar price of gold. The current gold market, which has been in a bull trend since 2000 continued to rise, with an actual average gold price of US\$329/oz realised for the year, compared to the US\$287/oz in the previous financial year. The main drivers of the increase in gold price have undeniably been the continued weakness of the US Dollar, the global economic downturn and the political

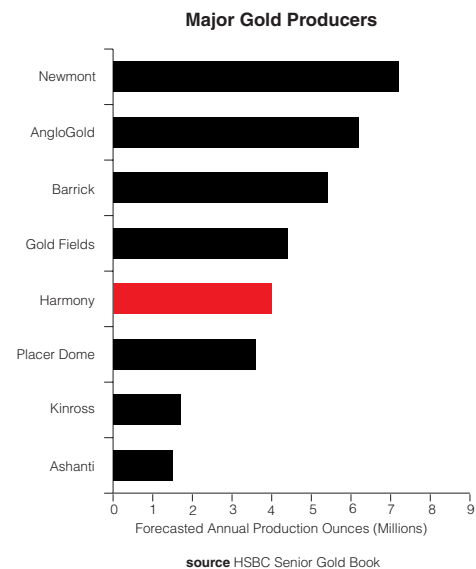
uncertainty associated with the various conflict situations in the world.

The gold price was also supported by the dramatic reduction in hedging by gold producers. During the 2002 calendar year, producer hedging decreased by approximately 600 tonnes and this trend is expected to continue until the end of 2003. During 2002, non-hedgers' share prices increased some 154%, whilst hedged producers' share prices increased by only 63%. Even at a gold price of US\$252/oz in 1999 we remained unhedged. As a strategy it proved to be correct and our shareholders saw the company's share price increase by 158% during 2002. This trend was, however, reversed in the first half of 2003, when South African gold stocks showed weakness on the back of a strengthening Rand. Harmony will continue to be an unhedged gold producer, with the bulk of its production coming from South Africa.

The South African Rand depreciated dramatically in November 2001. Since early



graph 1



graph 2



Despite the impact of the Mining Charter and the proposed Royalty Bill, we are comfortable with having the bulk of our operations in South Africa.

2002 the Rand has reversed this trend and the stronger Rand had a detrimental effect on the cash generating potential of the company.

The relatively higher cash operating profit margins which were achieved over the past two years, resulted in South African producers' valuation, relative to their Net Asset Value (NAV), increasing from a discount of approximately 26% to an average premium of 37%. North American gold producers' premium to NAV decreased from a high of 60% to 44% over the same period. Achieving such a re-rating, or reduction in the so-called South African discount, during a period of uncertainty with regards to the Mining Charter, bodes well for a South African company like Harmony. **see graph 1**

The gold industry saw only marginal increases in exploration expenditure and we expect the need to find replacement ounces to drive the continued consolidation of the industry. Following our own as well as the proposed AngloGold/Ashanti merger, the gold producers' table is showing the second tier

gold producers more distinctly. **see graph 2**

The consolidation of gold companies into a few major producers could result in further corporate activity. Harmony, as one of the six major producers, is in a stronger position than ever to fund our growth strategies.

An increase in exploration expenditure will result in future discoveries, however, we believe that the pipeline for major gold projects has been all but depleted and it is unlikely that exploration expenditure will return to the levels achieved during the 1990's. **see graph 3**

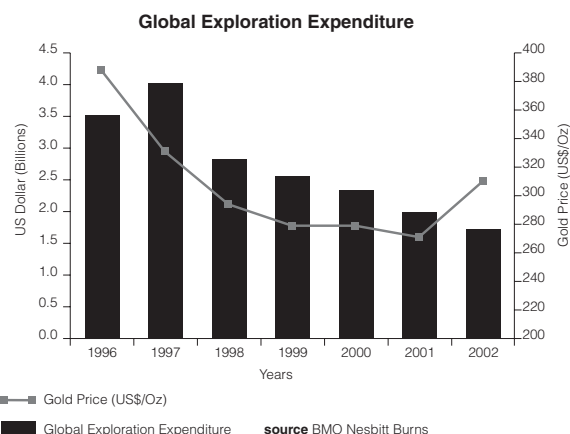
Our company has built up significant exposure to some of the most exciting new projects left in the world.

Gold producers have over the past two years been under increasing pressure to report on the total costs of producing gold, compared to the emphasis on cash costs during the time of lower US Dollar gold prices. The industry should now endeavour to deliver solid financial returns for shareholders, i.e. earnings, dividends and capital growth on the shares, instead of reporting on how they ensured survival

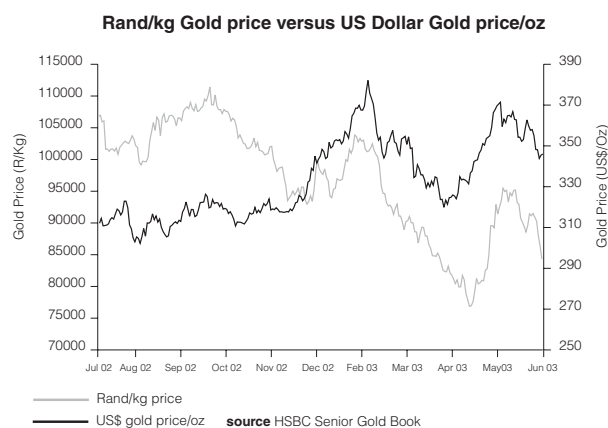
through low cash costs during the bear market.

The danger of exclusively focusing on cash costs, lies in the fact that producers are prone to overcapitalising orebodies and are tempted to high grade their reserves, instead of focusing on the optimal exploitation of their orebodies. This impacts adversely on both shareholder returns as well as on the long-term viability of their reserves. On average, during 2002, global gold producers reported a 7% increase in cash costs, from US\$168/oz to US\$177/oz. Included in the 7% increase is the effect of the strengthening of most currencies against the Dollar. The South African Rand's strength impacted adversely on the Dollar cost of local producers.

On a total cost basis, the gold industry's costs increased from US\$302/oz to US\$335/oz in 2002. This illustrates that the industry requires a significantly higher gold price than the US\$329/oz achieved in order to generate decent returns on new projects. **see graph 4**



graph 3



graph 4

Presently the supply demand fundamentals seem to be in a healthier position with world production edging lower. In addition, the large-scale buy-back of hedging ounces by producers has underpinned the current strength of the US Dollar price of gold. **see table 1**

The South African mines probably have the highest leveraged exposure to a combined depreciation of the South African Rand and a rising US Dollar gold price. However, increased production from South African producers did not materialise during the past year and we don't expect this to happen in future. Our focus will be on increasing profitability in the short term, whilst making investments in the future growth projects of the company.

Official Sector Sales continued at steady levels. The Washington Accord, which limited central bank sales to 400 tonnes per annum as from 1999, is due for renewal by September 2004. We anticipate that this agreement will be renewed for a further period of five years, although the quantum of central bank sales could be different. During periods of rising US Dollar

gold prices, bar hoarding and jewellery demand decreases in line with the amount of disposable income available for the purchasing of gold products. The past two years have seen lower levels of economic growth further impacting negatively on individuals' gold purchases.

Initiatives by the World Gold Council to present investors with a gold product which will enable direct investment in gold bullion are currently under way. The product is already listed on the Australian Stock Exchange, and similar products are planned for the New York Stock Exchange and JSE Securities Exchange. Harmony currently markets its physical gold investment products, manufactured in demarcations of 1/4 ounce, 1/2 ounce, one ounce and 10-tola bars to its shareholder base and other investors.

The current economic, social and political environment creates opportunities in which Harmony, as an unhedged gold company, will continue to deliver shareholder value. The company is extremely excited about its future in an industry which, from an investment

perspective, is healthier than ever before.

Corporate Governance has been a special focus area following the uncertainty created among investors by recent international corporate accounting scandals. The company has over the past year been exposed to changes in the regulations from the Securities and Exchange Commission, the New York Stock Exchange and the JSE Securities Exchange in Johannesburg.

Our board is committed to the highest standard of corporate governance, and our actions support this. We recognise the importance of an independent board, that not only focuses on maximising shareholder value but, in doing so, recognises the needs and requirements of all our stakeholders. Following the merger of the two companies, the board now consists of competent non-executive and executive directors from both companies.

South Africa is in a phase of transformation to a free-market economy in a sustainable democracy, serving all its people. These changes take time and are not always well understood by the

GOLD SUPPLY AND DEMAND BALANCE (TONNES)

| Supply | 2001 | 2002 | 2003* |
|------------------------|--------------|--------------|--------------|
| Mine Supply | 2 540 | 2 480 | 2 450 |
| Official Sector Sales | 677 | 560 | 530 |
| Scrap Sales | 720 | 845 | 880 |
| Total Supply | 3 937 | 3 885 | 3 860 |
| Demand | | | |
| Fabrication Jewellery | 1 407 | 1 324 | 1 340 |
| Investment Jewellery | 1 875 | 1 475 | 1 600 |
| Investment - Other | 430 | 520 | 420 |
| Net Producer Hedging | 225 | 566 | 500 |
| Implied Net Investment | 211 | 361 | 370 |
| Total Demand | 4 148 | 4 246 | 4 230 |
| Surplus Demand | (211) | (361) | (370) |

source Virtual Metals Research and Consulting

*Annualised

table 1



investment community. We, as individuals and as a company, are committed to the future of our country and will actively participate in this process of transformation, thereby ensuring a better future for all.

Although our safety statistics continue to compare favourably with the averages of South African gold mining, I regret to inform you that a total of 26 employees and contractors lost their lives at our operations during the year. I express my personal and the company's condolences with the families, friends and colleagues affected.

Following the merger, I have succeeded Adam Fleming as non-executive chairman. I want to thank him and the other retiring directors from both boards for the contribution they made to the success of the companies, especially during a time when the challenges of growth were real. Our best wishes accompany all of them in their future business endeavours.

The industry focus will be on finding replacement ounces. Our pipeline of organic growth projects will ensure our sustainability and future growth.

Patrice Motsepe

SECTION 2

CHIEF EXECUTIVE'S OVERVIEW

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ORGANIC GROWTH

2.4 PAGES 21-22

OUR CHANGING ENVIRONMENT

2.5 PAGES 23-26

STRATEGIC INVESTMENTS

2.6 PAGES 27-36

OPERATIONAL REVIEW

SECTION 2

CHIEF EXECUTIVE'S OVERVIEW

IN OTHER WORDS

Operationally, it was a tough year. The inclusion of a full year's results from Free Gold resulted in a steady overall performance.

We embarked on significant organic growth projects. We have formulated a very clear battle plan which includes the implementation of continuous operations at some of our mines.

SECTION 2

CHIEF EXECUTIVE'S OVERVIEW

The highlight of the year was the conclusion of an agreement to merge ARMgold and Harmony.

2.1 OVERVIEW OF THE YEAR

Record cash operating profit from record production

The past financial year was a watershed year in Harmony's history. Although no large acquisition was concluded in the financial reporting period, significant progress was made when we incorporated Free Gold and the Hill 50 assets. Post year-end, we concluded the merger with ARMgold.

We have generated solid cash operating profits (a record US\$260 million) and invested these funds well in future mining opportunities in South Africa, Russia, Australia and Papua New Guinea (PNG). In South Africa we approved a range of organic growth projects which will ensure that Harmony will be mining in South Africa well into the future. We will become the largest producer of gold from South Africa in 2003/04, producing some 30% of the country's gold. This is an excellent achievement considering the fact that some eight years ago the company was producing 580 000 marginal ounces per annum or 3% from a single mine in the Free State province of South Africa.

As a responsible company operating in South Africa, we have made considerable progress in dealing with the country's changing socio-political environment. The investments made in our

people and their communities and the participation of Black Economic Empowerment companies in past deals concluded, have positioned us well for future growth.

Probably the highlight of the year was the conclusion of an agreement to merge ARMgold and Harmony. Although the transaction had been successfully concluded by the end of September 2003, the economic benefits will only be evident in the last three quarters of the 2003/04 financial year. This transaction positions Harmony as the fifth-largest gold producer in the world, with the added benefit of having the bulk of its production coming from South Africa. Together the companies had acquired strategic stakes in both Avmin and Avgold, before the conclusion of the merger agreement. The benefits from these two investments will become evident as we participate in the next phase of unlocking value in the South African mining industry.

Our management team has grown the company over the past eight years, from a marginal, lease-bound operation in the Free State to an international gold company which can claim to have delivered value to all our stakeholders.

During this time we have relied on our employees to convert mature, loss-making or marginal operations into profitable long-life mines. By remaining unhedged we never tampered with shareholders' exposure to the volatility of the South African Rand and the US Dollar price of gold. This is a recipe which has served our shareholders well and we will be looking to take advantage of further opportunities in this respect.

Mainly due to the inclusion of a full year of production from our Free Gold Joint Venture we achieved an increase of 12% in production, increasing from 2.7 million ounces to a record 3.0 million ounces. This also was a period in which no additional significant acquisitions were made and during which continuous improvements sustained operational performance.

Continued economic and political uncertainty over the past year, as well as a weakening US Dollar, have seen a steady recovery in the US Dollar price of gold.

On average we realised a price of US\$329/oz for the financial year, a 15% improvement over the US\$287/oz reported previously. The rising Dollar gold price is great news as it reflects interest from investors and speculators in gold as an

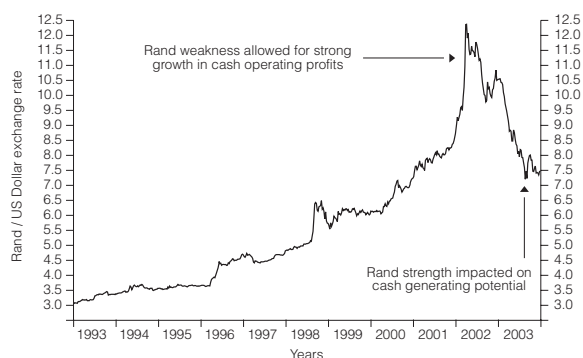


Year on Year Comparison

| | 30 JUNE 2003 | 30 JUNE 2002 | ACTUAL VARIANCE | % VARIANCE |
|---|--------------|--------------|-----------------|------------|
| Production - kg | 93 054 | 82 971 | 10 083 | 12 |
| Production - oz | 2 991 734 | 2 667 572 | 324 162 | 12 |
| Revenue - R/kg | 96 663 | 94 080 | 2 583 | 3 |
| Revenue - US\$/oz | 329 | 287 | 42 | 15 |
| Working costs - R/kg | 71 146 | 62 848 | (8 298) | (13) |
| Working costs - US\$/oz | 242 | 192 | (50) | (26) |
| Cash operating profit - R/m | 2 374 | 2 591 | (217) | (8) |
| Cash operating profit - US\$/m | 260 | 254 | 6 | 2 |
| Earnings per share before impairment (SA cents) | 695 | 1 330 | (635) | (48) |
| Earnings per share after impairment (SA cents) | 359 | 1 094 | (735) | (67) |
| Average exchange rate - R/US\$ | R9.13 | R10.20 | (R1.07) | (10) |

table 1

Rand/US Dollar Exchange Rate 1 January 1993 to September 2003



graph 1 source I-Net Bridge; Deutsche Securities

Our Five Year Scorecard

| | JUN '03 | JUN '02 | JUN '01 | JUN '00 | JUN '99 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Gold produced - Kg | 93 054 | 82 971 | 66 563 | 50 572 | 39 997 |
| Gold produced - oz | 2 991 734 | 2 667 572 | 2 140 043 | 1 625 925 | 1 285 931 |
| Underground recovery grade g/t | 5.33 | 5.37 | 4.88 | 5.08 | 5.27 |
| Cash operating profit SA Rand - R'm | 2 374 | 2 591 | 673 | 461 | 386 |
| US\$ - million | 260 | 254 | 88 | 73 | 64 |
| Cash operating cost R/kg | 71 146 | 62 848 | 57 416 | 50 121 | 46 759 |
| Cash operating cost R/tonne | 234 | 227 | 224 | 213 | 240 |
| Cash operating cost US\$/oz | 242 | 192 | 234 | 246 | 240 |

table 2

alternative investment, hedging themselves against the current uncertainty in world markets. The price was also supported by the current Dollar weakness, which has always been good for the gold price, and producer de-hedging, which made some producers net-consumers of gold. De-hedging is probably not sustainable beyond the next few quarters. Thereafter the main drivers of the price may be the US Dollar and declining world production.

For Harmony the benefits from the increase in the US Dollar gold price have been eroded by the strengthening of the volatile South African Rand. During the 2002 calendar year it strengthened by some 30% and was the strongest currency in the world when measured against the Dollar. **see graph 1**

The strong Rand adversely impacted on our working costs in US Dollar/ounce terms, which increased by 26% year on year. However, our ability to control working costs is evident in Rand/tonne terms with costs increasing by only 4% over the period. Although the Rand has strengthened to levels of R7.51 to the Dollar by year-end, it is our expectation that it will tend to depreciate towards the end of the new financial year.

Year on Year Comparison see table 1

Whilst revenues increased by only 3% in R/kg terms, inflationary cost pressures and the full incorporation of the higher cost acquisitions of St Helena in South Africa and Hill 50 in Australia, eroded our margins. In Dollar terms we continued to generate record cash operating profits of US\$260 million compared to US\$254 million for the previous year. Higher interest paid and higher amortisation charges resulted in lower earnings before impairment at US\$136 million, compared to US\$199 million for the previous reporting period.

One of the main costs ($\pm 50\%$) associated with mining in South Africa is labour. During July 2003 we reached an agreement with our unions for a period of two years. For the first year a wage increase of 10% was agreed to and for the second year the increase will be 2% above inflation (CPIX) with a guaranteed minimum of 7%.

The agreement also allows for a very necessary re-grading of some of the employee categories - e.g. operators which could result in additional cost increases. The agreement has also removed some of the last historically discriminatory practices with regards to leave and provision for retirement

benefits. The issue of housing for employees, as provided for in the Mining Charter, was also captured in a bi-lateral agreement. The non-wage issues will add an additional 2% to the wage bill of Harmony.

Our Five-Year Scorecard see table 2

Harmony has over the past five years created value through a strategy of acquiring and subsequently turning around higher-cost, lower-margin operations. The bulk of these 23 acquisitions were made during a declining Dollar gold price environment.

Despite these adverse conditions, our shareholders have been rewarded with the appreciation of their investment, both in terms of capital growth and cash dividends.

The difference made through the implementation of the "Harmony Way" is a significant and sustainable reduction in the working cost structures of the acquired mines. This typically results in an immediate increase in profit margin and operating profits. Our challenge remains to keep working cost increases lower than that of our peer group and below the South African inflation rate, thereby sustaining our competitive advantage.

Through the acquisition of 34.5% of Avmin and 11.5% of Avgold, we have increased your exposure to leveraged SA gold production.

Shareholder Distribution by Country

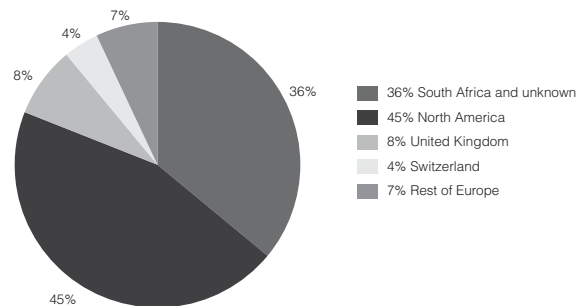


chart 1

2.2 THE WORLD IS NOTICING

The world's most liquid gold stock

Year on year the liquidity of our stock increased from 410% to 448%, making it one of the most traded gold stocks globally. The average issued share capital of the company increased from 153.5 million shares to 178.0 million shares over the same period.

The company's presence in North America continues to grow with more than 51% of our stock trading on the New York Stock Exchange.

Only 39% of the company's stock trades on the JSE Securities Exchange in South Africa, whilst the remainder is traded on various exchanges in Europe. More detailed information on the company's liquidity is available in the Investor Relations section on page 150 of this report.

Inclusion in MSCI Emerging Markets Index

On 30 May 2003, the MSCI announced the first annual review of its indices. The Emerging Market Index includes 160 companies from 27 countries.

Only 17 companies from South Africa are included, of which Harmony comprises 0.4% of the index. We have been included in the fund on the basis of our market capitalisation and in recognition of our offshore liquidity, both of which make the stock attractive to tracker fund investors.

Harmony makes the top ten again and again and again

Harmony was rated in 7th position in the Financial Mail's Top Companies Awards 2003. We were the only company in South Africa to be ranked amongst the Top Ten Companies over a one-year, five-year and ten-year period in the annual Sunday Times Top Companies ranking.

During the year we received the Business Map Foundation Empowerment Award and our Investor Relations team received the Investment Analyst Society's top award in the mining and resources category.



Being an unhedged producer, we cannot influence the price we receive for our gold. Therefore our ability to manage working cost remains our competitive advantage.

2.3 ORGANIC GROWTH

A range of capital projects was approved and embarked upon during the year. Organic growth opportunities also exist within our current operations which do not require any capital expenditure. Some of them are:

- ***exploiting the potential of our greatest asset, our employees.*** Harmony has consistently achieved productivity and efficiency improvements over the past few years. The process of empowering our people has further potential to impact positively on our performance. Through continued productivity improvements, we can afford to give real wage increases to our workforce and achieve a reduction in the unit cost of labour in real terms. In this annual report we give you a feel for some of the exciting transformational issues we are dealing with through the eyes of ten of our employees.

We are doing pioneering work in terms of communication with our people. The objective of internal

communication within Harmony is to keep all employees informed of the company's direction, create understanding about where we're heading strategically and show where each employee fits into the big picture. By providing information and creating understanding, internal communication functions as a vehicle to improve motivation levels and ultimately productivity. Every employee should understand how and where he could make a difference.

We segment our internal market of employees and develop appropriate messages and media channels to appeal to each segment's motivational triggers. We use a variety of different channels to reach different audience segments effectively.

The Harmony Way Manual (a cartoon handbook which captures the essence of the Harmony Way), which was successfully targeted at our South

African supervisors and technical management last year, was followed up with a route map of Harmony's history and the strategic direction going forward. This route map is a cartoon visual, which is debated and discussed in small groups throughout the technical management and supervisory levels.

Woza Nazo, our full-time communication group drawn from within our workforce, has continued its successful trajectory. Research conducted among the workforce has shown that 72% agree that Woza Nazo helps them better understand Harmony and provide information that helps them to do a better job.

The internal roadshow whereby I meet with all shaft and plant teams every quarter has become, and will continue to be, a vital ingredient of the communication mix.

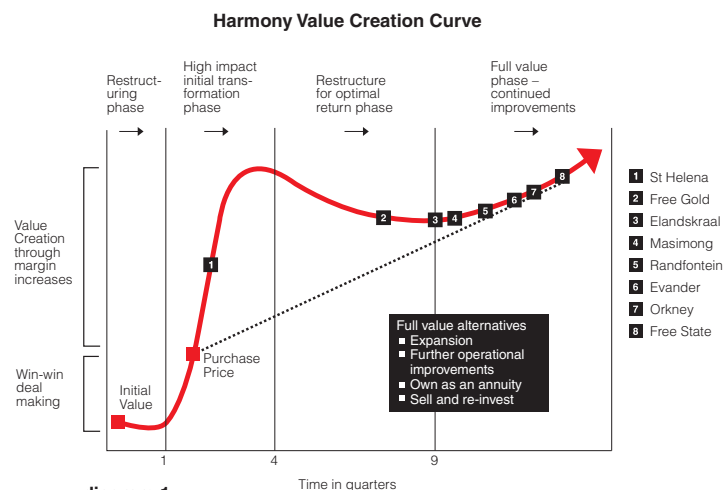


diagram 1

Looking ahead, we will take the concept of internal marketing further than ever before by appointing client segment champions. Each internal segment (i.e. business management level; technical management level; supervisory level and workforce) will have a dedicated member or members of the executive who will be responsible for “marketing” the company to it – i.e. understanding the issues of that segment and integrating and making sense of company initiatives specific to that segment. An essential component of creating an enabling environment where all our teams can perform at world-class levels, is to develop a world-class service culture – one which can service the teams at the face. This is what we call “Service the Harmony Way”. In order to facilitate this we have analysed, simplified and reconstructed all pivotal service delivery mechanisms. We have separated service from control functions and worked at creating a service attitude and culture which is closer to a retail model of service excellence than the military style which has prevailed in the mining industry for the past hundred years.

- **“sweating our assets”** includes all activities related to optimising our current operations. Continuous Operations (CONOPS) could see the productivity of the capital assets on some of the operations increase significantly. With CONOPS we increase the number of production shifts by as much as 25%. We hope to extend the agreements we reached with the unions at the Free Gold and ARMgold shafts on CONOPS to our other operations. Implemented correctly, CONOPS could result in an increase in volume, a marginal reduction in cost, significant job creation and higher profits.
- **remaining “cost obsessed”**: through initiatives like the “Cost Marathon”, we were able to restrict our cost increases, measured in R/kg terms, to only 13% compared to the previous financial year. This occurred despite the impact of a high inflation environment and the adverse effect of acquiring and incorporating high-cost, low-margin operations in South Africa and Australia. Cost focus and cost efficiency have always been our strengths. When measured in Rand/tonne terms, working costs

increased by a mere 3% from R227 per tonne to R234 per tonne.

- **extending the application of the Harmony Value Creation Model**, the business model on which our successful acquisition strategy has been built, provides us with alternatives once the assets are fully valued. The investment environment in the past year has allowed us to proceed with a range of organic growth projects which will add value to our assets for years to come. **see diagram 1**

Whilst other producers in the industry face the challenge of finding adequate reserves to replace the ounces mined, we have, through a range of investments, ensured that we have sufficient high-quality replacement ounces, thereby securing our long-term future.

Let us reflect on how successful our acquisition and turnaround strategy has been. **see table 3**

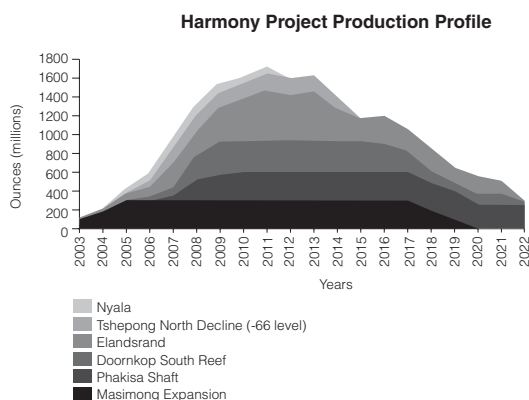
The progress on Free Gold only includes the 50% attributable as at 30 June 2003. Following the completion of the merger at the end of September 2003, it was 100% owned by Harmony. We anticipate complete payback of our



Return on Investments as at June 2003

| PROJECT/OPERATION | ACQUISITION COST (R'm) | CASH OPERATING PROFIT TO DATE (R'm) | PAYBACK ACHIEVED |
|---------------------------|------------------------|-------------------------------------|---------------------|
| Evander - June '98 | R 415 | R 1 274 | 10 quarters |
| Randfontein - Jan '00 | R 750 | R 1 735 | 8 quarters |
| Elandskraal - Apr '01 | R 988 | R 662 | Building a new mine |
| Free Gold (50%) - Dec '01 | R 1 350 | R 1 157 | +/-8 quarters |

table 3



graph 3

Our Assets

| MARGINAL OUNCES | QUALITY OUNCES | LONG LIFE QUALITY OUNCES | PROJECT GROWTH OUNCES | POTENTIAL PROJECTS |
|-----------------------|-------------------------|--------------------------|-----------------------|--------------------|
| Harmony | Evander | Masimong | Tshepong North | Morobe/Wafi |
| Joel | Kalgold | Elandskraal | Phakisa | Poplar |
| Rest of Free Gold | Randfontein | Tshepong | Doornkop | Rolspruit |
| St Helena | Highland Gold (31%)* | Bambanani | Target (26%)* | Kalplats |
| Australian Operations | Bendigo (32%)* | | | |
| Orkney Shafts | 9.8% of Aurion (onsold) | | | |

* As with all our strategic investments our continued involvement with these projects will depend on our assessment of whether we can add additional value to such an investment.

table 4

investment in Free Gold by December 2003, making it one of the most successful acquisitions to date.

The progress of the company from survival in 1995/96, the subsequent growth through acquisitions and current focus on long-life, quality, low-cost production ounces in 2002/03 has resulted in a spectacular portfolio of assets. **see table 4**

Capital Projects

During the past few quarters we approved the organic growth projects at Randfontein (Doornkop South Reef Project) and Free Gold (Tshepong North Decline Project and the development of Phakisa Shaft). Questions have been put to us as to whether our growth strategy, which has so successfully built the company to the fifth largest in the world today, has changed? Have we stopped acquiring assets and are we now focusing on building mines?

The answer is that our strategy has never been an either/or approach. We believe that there will be further turnaround opportunities for acquisition in South Africa, which will deliver similar value upliftment to what we have experienced in the past. We do, however,

also own most of the next generation of mines to be built in South Africa. We have the skills and balance sheet to build mines and we believe in the future of gold as a product and South Africa as an investment destination.

Included in the acquisition of Randfontein in January 2000, Elandskraal in April 2001 and Free Gold in December 2001, was a number of highly prospective projects at zero cost. On acquisition of these assets our focus was to achieve an operational turnaround as quickly as possible. During the low gold price scenario and with high working costs at the time of acquisition, the project areas, although financially evaluated, provided insufficient returns on the required investment.

After successfully restructuring the acquired operations for profitability and under a current higher gold price scenario, the projects were revisited. When compared to other available acquisition opportunities or other growth projects in the company, the approved projects delivered greater returns to all stakeholders and in each case a decision was taken to proceed.

The capital projects currently under way in Harmony are all brownfield projects.

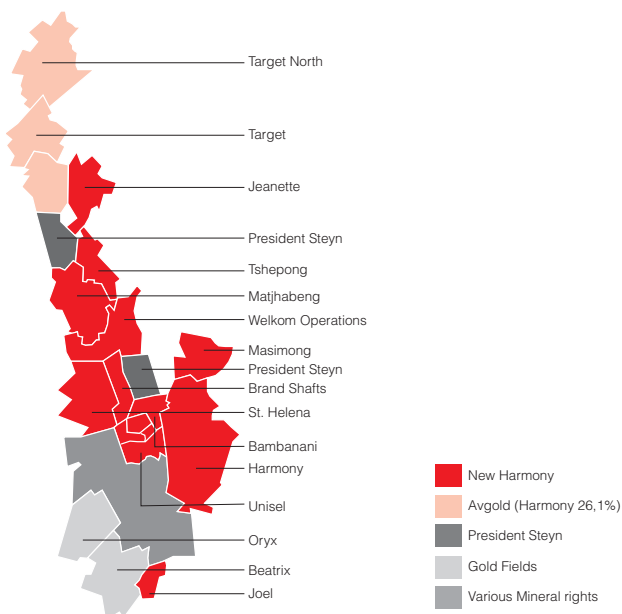
This results in relatively low capital requirements which have been structured tax-efficiently as part of the existing operations. The geological and technical risks are also well understood.

All the projects depicted are discussed in detail under the relevant operations in the operational overview section. **see graph 3**

Ten years into the future Harmony will be the owner and operator of many of the larger mining projects still around in South Africa. We do not anticipate relinquishing, in the near future, the position of being South Africa's largest gold producer, which we will become during the first half of the 2004 financial year.

We foresee underground recovery grade to increase incrementally from 5.33 g/t for the 2002/03 financial year to in excess of 6.0 g/t by 2009 under a given set of gold price and currency assumptions. Whilst there will be more acquisition opportunities in South Africa, especially if the Rand remains strong, the long-term future of Harmony in South Africa has been secured through the development of these long-life, quality production ounces.

The Free State Goldfields



map 1

Merging ARMgold and Harmony to create South Africa's largest gold producer

On 2 May 2003, the two companies announced details of a proposal to create a world-class unhedged gold producer, with the bulk of its production from South Africa.

The merger creates the fifth largest gold producer in the world, producing approximately 4.0 million ounces per annum. The transaction was effected by the issue of two Harmony shares for every three ARMgold shares held.

Approximately 63.67 million Harmony shares were issued after year-end, which increased the company's outstanding shares to 257.8 million.

Post-merger, the aggregate number of Harmony shares issued to ARMgold represented 26% of the enlarged issued share capital of the merged company. African Rainbow Minerals and Exploration

Investments (Pty) Ltd (ARMI), represented by Patrice Motsepe, Harmony's new non-executive chairman, became our largest shareholder, holding approximately 14% of the company at the time.

We are excited and look forward to incorporating the assets into the new Harmony. This transaction has as its focus not only BEE compliance or short-term operational synergies, but also creates a long-term value proposition to our shareholders.

Operational synergies at the combined Free State operations, will add some R10.0 million per month to the bottom line. **see map 1**

In addition, the growth projects at Free Gold, i.e. Tshepong North Decline and Phakisa Shaft, will optimise our future cash-generating ability.

Our risk profile has diminished significantly as the company now has operating mines in all the major gold-

producing regions in South Africa. This has the added benefit that we are well positioned to increase our production from further acquisitions, as we have an established foothold in these gold-producing regions. **see chart 2**

Acquiring a 34.5% stake in Avmin

On 2 May 2003, Harmony and ARMgold announced details of our 50/50 joint acquisition of a 34.5% stake in Anglovaal Mining Limited (Avmin). Based on R43.50 per share, the transaction was valued at R1 687 million and was paid for in cash.

Avmin, which has a market capitalisation of approximately R4.9 billion (at a share price of R43.50), holds shares in and manages the following companies:

- Gold - Avgold Limited - 42.7%
- Manganese and Iron Ore - Assmang Limited - 50.3% and Assore - 9.3%
- Nickel - Nkomati Mine - 75.0%
- Platinum - Two Rivers Project - 55%



Forecast Gold Production
2003/2004

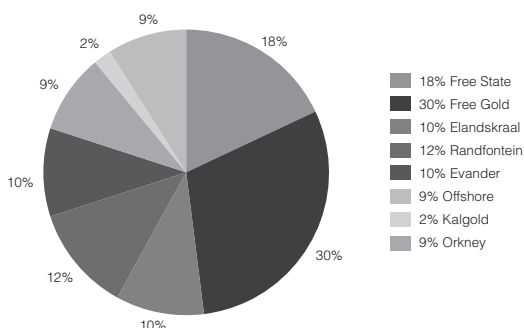


chart 2

| ORE RESERVES AS AT: | 30 JUNE 2003 | 30 JUNE 2002 | % VARIANCE |
|--|--------------|--------------|------------|
| Gold price per kg | R93 000 | R95 000 | (2) |
| Total resources including project ounces (Moz) | 410.2 | 295.9 | 39 |
| Reserve base (Moz) | 61.9 | 49.1 | 26 |

Includes 100% of ARMgold and Free Gold

table 5

The rationale for the acquisition was that the merged Harmony would own an effective strategic investment of 14.6% in Avgold which operates the new Target gold mine. Target holds 3.9 million ounces of reserves and an extensive unexploited gold resource totalling some 75 million ounces in the Northern Free State.

The acquisition of the stake in Avmin gave us exposure to this resource and allowed us to participate in unlocking value in both Avmin and Avgold.

On 15 July 2003, we announced that we had acquired an 11.5% stake in Avgold (at R7.91 per share) from Anglo South Africa Capital (Pty) Ltd, thereby raising our effective exposure to 26.1%. The company issued 6 960 964 new ordinary shares, comprising 3.8% of the issued share capital of Harmony, as consideration.

Target is different to typical labour-intensive mining companies in South Africa as it makes use of a high degree of mechanisation in the exploitation of the

massive orebody. At full production, the mine will produce approximately 350 000 ounces of gold per annum at a cash cost of below US\$180 per ounce. The Target mine has a life of approximately 18 years.

Immediately adjacent to Target, Avgold has been busy with an extensive exploration programme on an area known as Target North. This project is in pre-feasibility stage and current estimates show indicated resources of 24.5 million ounces and an additional inferred resource of 35.1 million ounces. The area has one of the world's largest unmined deposits. It contains a series of gold-enriched depositional fans at an average depth of 2 500m below surface and roughly 2 - 3km apart.

Harmony ore reserves increase by 26%
Despite using a marginally lower gold price of R93 000/kg, the company has seen growth of 26% in its ore reserves following the merger. Total resources have increased by 39% to 410.2 million ounces. For a year

on year comparison of reserves and resources **see table 5.**

The main difference is the inclusion of the other 50% of the Free Gold reserves and the remainder of ARMgold's reserves. Excluding ARMgold, our reserves have increased by 1 million ounces or 2%, indicating that we more than replaced the 3 million ounces mined in the past year. This is despite using a lower gold price in R/kg terms for this declaration. Although the company's resource base in Australia remains at 11 million ounces, reserves have decreased from 2.34 million ounces to 1.5 million ounces, necessitating a write-down in the carry value of the assets by A\$155 million to A\$623 million.

The merged Harmony now owns the largest gold resource base in the world, allowing it flexibility and even more leverage or optionality to the US Dollar gold price.

We have completed four successful empowerment transactions to date. We believe that we are compliant with the equity ownership component of the Mining Charter.

2.4 OUR CHANGING ENVIRONMENT

The release of the Broad Based Socio-Economic Empowerment Charter for the South African Mining Industry

The long awaited and much debated Mining Charter for the South African industry was released on 9 October 2002. We believe that whilst the Charter prescribes some very demanding conditions, the company is well positioned to meet them well ahead of the targeted date in five years' time.

The Charter has the following broad objectives:

- to expand opportunities for Historically Disadvantaged South Africans (HDSAs) to enter the mining and minerals industry or benefit from the exploitation of the country's mineral resources;
- to ensure that the relevant skills which are required for entry into the mining sector by HDSAs, are transferred; and
- to ensure progress in employment equity in the mining industry.

In addition, the Charter includes the following specific objectives which will be measured using a scorecard system:

- about 15% or R100 billion (US\$10 billion) worth of assets will be owned by Black companies within five years, with an additional 11% being achieved in the following five years;
- industry has undertaken to assist HDSAs in securing finance to fund participation, i.e. an amount of R100 billion within the first five years only;
- a baseline of 40% in respect of employment equity in junior and senior management levels of the industry;
- companies undertake to offer every employee the opportunity to become

functionally literate and numerate by 2005;

- stakeholders undertake to give HDSAs preferred supplier status;
- mining companies agree to identify their current levels of beneficiation and indicate to what extent they intend to grow the baseline.

The measuring of success of ownership would be determined by:

- attributable units of South African production controlled by HDSAs;
- an allowance to be built in to allow for credit offsets to allow for flexibility;
- previous empowerment deals to be included in calculating credits; and
- government are considering special incentives to encourage HDSAs to retain newly acquired equity for a reasonable period.

Companies undertake to report on an annual basis their progress towards achieving their commitments through their annual reports, to be verified by external auditors.

We have dealt with our progress on some of these issues in the Sustainability Report, page 53-62.

Finalising the Charter through a process of negotiations which included representatives from the mining industry, government and the unions, has removed most of the uncertainty which followed the leaking of a draft document in July 2002.

Harmony has demonstrated that the

ownership requirements of the Charter are achievable through our involvement in four successful empowerment deals. In all instances, the deals did not result in a dilution of value to shareholders, but rather facilitated our continued growth during that time.

Our most recent deal was the Doornkop South Reef Project at Randfontein. Effective 15 August 2003, Africa Vanguard Resources (AVR), a Black Economic Empowerment company, acquired 26% of the project for R250 million. In terms of the sale agreement, AVR acquired 26% of the Doornkop mineral rights, and payment amounted to R140 million in cash and R110 million in call options on 290 000 ounces of gold. (The 290 000 ounces of gold being equal to 16% of gold produced at Doornkop during the first 10 years).

The project will be managed as a joint venture in which Randfontein will fund all the project capital. The proceeds from the project will be shared in a proportion of 84% to Randfontein and 16% to Africa Vanguard Resources.

We are, in consultation with the National Department of Minerals and Energy, currently in the process of developing a sophisticated approach to setting targets and measure performance in BEE and transformation initiatives within Harmony. We refer to this initiative as the "Harmony Transformation Scorecard" and we shall describe the methodology in more detail in the 2004 Annual Report.



Harmony's progress on Transformation: Empowered ounces of production

| BEE TRANSACTION | EQUIVALENT EMPOWERED GOLD OUNCES OF PRODUCTION | CALCULATION NOTES |
|---|--|--|
| Sale of 10% of Elandskraal to Khuma Bathong | 36 000 | 10% of 360 000oz produced by Elandskraal in 2003 |
| Simane purchase of equity in Harmony | 194 000 | 6.4% (original holding of Simane) of Harmony's total ounces of production for 2003) |
| Sale of 26% of mineral rights at Doornkop to AVR | 85 000 | 26% (AVR's share) multiplied by the 330 000oz Doornkop is expected to produce at full production |
| Harmony/ARMgold merger | 560 000 | 14% (shares in the merged Harmony entity which will be held by ARM Investments) |
| Total "equivalent empowered gold ounces of production" | 875 000 | Note that "equivalent empowered ounces" reflects historical transactions and not only current BEE holdings |
| Total ounces of South African gold production of the merged Harmony | 3 600 000 | Total South African production of Harmony for 2004 |
| Equivalent BEE Ounces as a % | 24% | |

table 6

In essence, it will provide clarity on the "measures" of empowerment and transformation contained in the Mining Charter, but, at the same time, will enable Harmony to set targets, plan initiatives and measure progress on an integrated strategy for transformation within the company over the next ten years.

The "Harmony Transformation Scorecard" will seek to address all transformation initiatives (including initiatives such as job creation and HIV/AIDS programs that are not necessarily included in the Charter), and will seek to evaluate progress on the three fundamental objectives underlying transformation:

- developing people - skills development, training and job opportunities;
- stimulating economic participation – job creation, equity ownership, joint ventures, procurement opportunities, beneficiation opportunities; and
- positively impacting society and people's welfare – living standards, rural and community development, housing, migrant labour, environmental sustainability, health (including HIV), safety.

These three transformation objectives are consistent with leading international thinking on development, and will apply both to the way we address the "internal" or operational facets of the business (e.g. developing and empowering employees) and the manner in which we positively benefit our "external" environment (e.g. adjacent communities).

The "Harmony Transformation

Scorecard" will enable key headline measures of progress to be reported to shareholders and other stakeholders, while more detailed internal targets and measures will be used by management to ensure constant progress in transformation. It will ensure consistency and compliance with the scoring approach to be used by Government in assessing mineral rights' conversions in terms of the new Mineral and Petroleum Resources Development Act.

For example, we report progress on the second key objective of transformation, namely "Stimulating Economic Participation", on the basis of "equivalent empowered gold ounces of production".

Table 6 provides an illustrative calculation for Harmony's four past BEE transactions, indicating that transformation has already been achieved for 24% of production, this being well in excess of the Charter's requirement of 15% within five years. (Note that table 6 excludes the positive impact of procurement, beneficiation, job creation and other related initiatives.)

It is in the understanding of the interdependence of these activities that we can identify cost-effective opportunities to ensure compliance. The successful transformation of the South African society and our mining industry will have significantly positive benefits for Harmony.

In short, broader economic participation will assist in normalising our society, increasing the country's economic base and, over time, reducing the country's risk rating. Developing our people is already

paying spectacular dividends in higher productivity and the availability of adequate skills to sustain our growth.

Mineral and Petroleum Royalty Bill

On 20 March 2003, the South African Government released the draft Mineral and Petroleum Royalty Bill.

The Royalty Bill proposes to impose a quarterly royalty charge of 3% on revenue. The Bill's underlying principle is that the country is entitled to a consideration/royalty for the extraction of its non-renewable mineral resources.

We are of the opinion that any royalty imposed at revenue level will impact considerably on our financial results and the cost of mining in South Africa. By increasing our cost structure millions of tonnes of ore will be sterilised.

The Bill was submitted for public comment until 30 April 2003, whereafter it was referred back to parliament. We made a submission to the treasury department and currently await government's revised position.

The uncertainty caused by these and other regulatory changes highlights the need for us to proactively engage government on all legal, fiscal and environmental issues.

2.5 STRATEGIC INVESTMENTS

Abelle Limited – Exploration success

On 26 February 2003 we made an offer to subscribe for new shares as well as a public offer for the ordinary shares and options in Abelle. The offer closed on 26 March 2003. We now own 87% of the shares and 68% of the listed options in Abelle. The total consideration payable was A\$151 million or US\$98 million. On 30 June 2003, at a share price of A\$1.10 per share, our investment was valued at US\$127 million.

Through this and other investments over the past few years, we have established access and exposure to world-class deposits. Our bid values Morobe and Wafi, which are two of the largest undeveloped gold deposits in the world, at US\$8.00 per resource ounce.

Identified Mineral Resources (IMR) estimates of the Morobe Project total 73.9 million tonnes at 2.2 g/t gold and 30 g/t silver for a combined 5.2 million ounces of gold and 71 million ounces of silver. The project is now 100% owned by Abelle.

The Morobe ore is free milling and cash operating costs were estimated at US\$175 per ounce. A feasibility study completed by Lycopodium of Australia in October 2002, envisaged a single open pit mine containing 2.8 million ounces of gold and 48 million ounces of silver.

Morobe is capable of producing 300 000 ounces of gold and 4.5 million ounces of silver per annum from a 5 million tonne per annum processing plant for a period of approximately eight years.

A new feasibility study, which envisages mining lower tonnage at higher grades with substantially reduced capital and operational costs, is currently being undertaken and will be presented to the Abelle board by December 2003.

Abelle also owns the Wafi Project situated 60 km from Morobe. The project is in an advanced exploration stage, with a further phase of 5 000m of diamond drilling under way. Wafi consists of two large orebodies, approximately 1 km apart. One is a substantial porphyry copper-gold deposit ("Golpu") with a total identified IMR estimate

of 100 million tonnes at 1.3% copper and 0.6 g/t gold. A pre-feasibility on the Golpu porphyry copper-gold project (inferred resources 2.3 million ounces gold; 1.27 million tonnes copper) has commenced.

The other is a potentially world-class gold discovery which is known as the Link Zone orebody. The drilling programme at Wafi which commenced in February 2003 is focused on infill drilling (from 100m by 50m grid down to 50m grid) and on extending the higher grade Link Zone orebody. For the first phase of the drilling programme 12 holes have been planned of which four holes have been completed.

The holes from which assay results have been received include the following intersections:

| Borehole No. | |
|--------------|---------------------------|
| WR177 | 159m @ 6.53 g/t from 275m |
| WR178 | 71m @ 8.42 g/t from 316m |
| | 17m @ 5.25 g/t from 410m |
| | 15m @ 9.34g/t from 454m |
| WR179 | 174m @ 4.03 g/t from 192m |

Messrs Grobicki, Abbott and myself have been nominated to the board with myself taking over the chairmanship.

The acquisition of Abelle Limited is in line with our strategy of creating a significant gold business in Australasia. In addition to our current producing assets, we now have significant interests in three high-quality, prospective growth projects in Bendigo, Morobe and Wafi.

Bendigo – decision time

The 32% stake which Harmony acquired on 14 December 2001, at a cost of A\$50 million, was valued at A\$55 million on 30 June 2003.

The major activities during the 2002/03 evaluation programme included the development of a production size decline to access several orebodies that had previously been defined by drilling, and to mine and process approximately 60 000 tonnes of ore. The objective was to establish orebody shapes, grades and mining methods to determine metallurgical

processing parameters.

In a briefing by the company earlier in the year, it was indicated that the Swan Decline had reached a depth of 770m below surface, and had accessed the first four reefs in the 12.3 million ounce potential resource. A further five reefs were evaluated by August 2003. The current on-reef development and bulk sampling programme is designed to convert the previously identified Inferred Resources into Reserves.

Bendigo's management is refining a conceptual plan which indicates a three-stage build-up to full production over four to five years. Subject to the successful establishment of reserves during the bulk sampling and evaluation programme, the plan envisages the following stages:

- Stage 1 – 300 000 tonnes per annum to produce approximately 100 000 ounces per annum. Capital of A\$50 to A\$60 million is estimated to be required to start up the mine plan;
- Stage 2 – after a two to three-year period, production is anticipated to increase to 250 000 ounces for two years;
- Stage 3 – production increasing to over 400 000 ounces per annum.

The biggest uncertainty remaining is whether the planned tonnages could be achieved and then scaled up without significantly reducing the recovery grades.

The development, drilling and evaluation programme to access the 17 previously identified orebodies in the Sheepshead and Deborah reefs progressed well during the June 2003 quarter.

The study to determine costs to construct the mine, mill and associated infrastructure is well advanced.

The combination of sampling and mining studies have to date provided a resource of 130 000 ounces and have a target to prove in excess of 200 000 ounces of reserves by the December 2003 quarter. It is envisaged that the Bendigo board will soon consider its options with regard to the construction of a mine.



High River Gold – exposure to Russia

We own approximately 17% of High River Gold (TSA:HRG), a Toronto-based company with gold interests in Russia, Canada and West Africa.

The total purchase consideration amounted to R141 million (US\$14.5 million) which represented a 16% discount on the weighted average share price for the 30-day trading period prior to the execution of the agreement. Following a significant rise in the High River share price, our investment was valued at approximately US\$22 million on 30 June 2003.

The principle assets of High River Gold are:

- a 56% equity interest in OJSC Buryatzoloto, the fifth-largest gold producer in Russia, with two operating mines producing approximately 150 000 ounces per year;
- a 100% interest in the Berezitovoye Project which is a deposit amenable to low-cost open-pit mining;
- a 50% interest and joint operatorship of the New Britannia gold mine situated in Manitoba Canada, producing approximately 110 000 ounces per year; and
- an 80% interest in the Taparko gold project in Burkino Faso which has a gold resource of approximately 1 million ounces.

Highland Gold Limited – production ounces from Russia

On 18 December 2002, Highland Gold Limited successfully listed on AIM (“Alternative Investment Market of London Stock Exchange plc”).

Highland Gold is the owner of Mnogovershinoe (“MNV”), Russia’s fourth-largest producing gold mine in 2001, as well as two development projects – Darasun and Novoshirokinskoye – which together comprise four gold deposits.

In 2002 MNV had proven and probable reserves of 2.3 million ounces.

Measured, indicated and inferred resources total 3.0 million ounces of gold. Of the above 31.7% is for our account.

Highland Gold believes that the abundance of natural resources and the recent positive developments in the Russian gold industry will provide an opportunity for the company to establish a portfolio of Russian gold projects.

The acquisition of a 32.5% stake at US\$18.9m in Highland Gold on 31 May 2002 and a subsequent investment of US\$7.5 million, allowed for a promising entry point for Harmony into the re-emerging Russian gold sector. Our total investment of US\$26.6 million was valued at approximately US\$128 million on 30 June 2003.

For the 2002 calendar year, Highland Gold produced 178 000 ounces at cash and total costs of US\$145/oz and US\$179/oz respectively. For the next six months ending June 2003, the company produced 90 133 ounces at cash and total costs of US\$174/oz and US\$221/oz respectively.

Unless we can increase our exposure at asset, company or board level to that of significant influence or control, in both the cases of High River Gold and Highland Gold Limited, we may be required by the South African exchange control rules to dispose of this stake during the coming year.

Kalplats – our platinum discovery

Work on our platinum discovery continued with some R45 million so far being spent on exploration, the excavation of the Kalplats box-cut, bulk sample collection and pilot plant flotation tests. The box-cut involved excavating 1.5 million tonnes of waste rock. A 500 tonne ore sample was collected at a depth of approximately 45m below surface with sampling of the various reefs under different weathering conditions as the pit advanced.

Using a US\$450/oz basket for PGM’s and R8.00 to the US Dollar, and using a two-stage mill with float concentrator, we anticipate the following results:

| | |
|-----------------|----------------|
| Tonnes milled | 150 000 tonnes |
| Capex | R260 million |
| Plant costs | R45/tonne |
| Recovery | 75% |
| Recovered value | R215/tonne |

Recoveries of 73% – 75% and concentrate grade above 100 g/t PGM were achieved with a two-stage float concentrator. Laboratory scale testwork at Mintek on the recovered core samples continues. Based on the outcome of these tests we will take a decision on the mining of the orebody and whether any further activities will be undertaken to enhance our understanding and valuation of the five demarcated orebodies.

Expenditure is focused on the completion of the drilling programme to update ore resource calculations and orebody models on the Crater and Orion orebodies. Work on preliminary mine designs and on pit optimisation continues. It is anticipated that the work will be completed by the end of September 2003. Phase 2, which will culminate in the completion of a full feasibility study, is expected to be completed six months thereafter.

Making good money out of a strategic investment

The company’s acquisition during February 2000 of a 21% stake in Goldfields Limited of Australia at a cost of R165 million, is a good example of making excellent returns from strategic investments. South African exchange rate constraints at the time resulted in the cost and funding of acquiring 100% of Goldfields Limited of Australia being beyond Harmony’s reach. The additional R60 million investment by Harmony, and subsequent merger of Goldfields with Delta and its acquisition by Placer Dome, saw the value of our initial R225 million investment increase to R855 million. During the year the company announced that it had disposed of this asset, realising approximately US\$85 million.



“When I think of where we came from and where we’re heading to, the change has been remarkable.”

TEN PEOPLE. ONE STORY.

Name
Johan Hennop
Time at Harmony
25 years
Works at
Free State
Started as
Electrical
Apprentice
Position today
Engineer,
Coordinator ETHW
(Engineering The
Harmony Way)

Is the lid important on an automatic kettle? It can't make the kettle boil – the element will. But take the lid off and the kettle will boil out. Engineering is the lid – it's a service. I was involved in redesigning the bridge of change – to create ownership. Now I'm running the engineering side of the changes.

Providing quality service means separating service and control. But the old mining culture of control means it's difficult to make that change. People have to understand that the ultimate client on the mine is the team at the face. But that doesn't mean your role is not as important.

Gold mining is all about people. Attitude plays a bigger role than skill and knowledge itself. I've seen people who I thought would never change. Then they tasted it. And now there's no stopping them. Change touches the comfort zones – but change brings opportunities.

Some ask when it will stop. They still see change as an event. It's not. It's like the baton in a relay: the race doesn't stop when you hand it over. If we take a step back people see it as failure. It's not. It's a process – and sometimes it's necessary to realign, put systems in place – and move forward.

When I think of where we came from and where we're heading to, the change has been remarkable. We're doing all the right things, but still not doing all things right. My day would be empty if there wasn't a challenge. I'd like to stay part of the change.

Safety. Better, but not yet good enough.

2.6 OPERATIONAL REVIEW

Safety

On behalf of the board, we would like to extend our sincere condolences to the families, friends and colleagues of the 26 employees who lost their lives at our operations during the past year.

The lost time injury frequency rate (LTIFR) showed a regression of 3.5% and the fatal injury frequency rate (FIFR) per million man-hours worked improved by 19%. Our target for LTIFR for the financial year ending 30 June 2003 was 20 and for FIFR a rate of zero. We continue to aim for these targets in the coming year. **see table 1**

The main areas of incident severity remain fall of ground (50%) and trucks and tramways (15%). Since safety transformation has been introduced there has been an improvement in fall of ground safety awareness. Increased training and communication have also improved the identification and assessment of risk. We believe that our rates compare favourably with the rest of the underground mining industry.

We produced 22% of South Africa's gold and incurred 14.5% of the fatal accidents in the gold mining industry.

For the year 2003/04 our emphasis will remain on safe production. Safety is a focus during the planning phase and at site meetings. There is self-regulation through the Harmony Risk Management System, regular audits of compliance and constant communication. We are convinced that this team effort will enhance safety at all our operations.

- Kalgold achieved 750 000 fatality free shifts on 19 July 2002

- Evander 8 Shaft achieved 500 000 fatality free shifts on 9 October 2002
- Merriespruit 1 achieved 750 000 fatality-free shifts on 6 January 2003
- Masimong mine achieved 500 000 fatality-free shifts on 5 June 2003
- Mt Magnet Gold Mill, Admin and Geology departments achieved over 1 100 days LTI free during the quarter
- Merriespruit 3 Shaft ended the June quarter on 1.3 million fatality-free shifts. This mine has been fatality-free for five years
- Brand 3 achieved 500 000 fatality-free shifts on 28 June 2003
- St Helena and Evander 8 Shaft both achieved a million fatality-free shifts status subsequent to year-end
- Free Gold had a fatality-free quarter for the first time in its history

Operations

A year on year analysis of the cash operating profit for the various operations follows. **see table 2**

| INDICATOR | OBJECTIVE | 2002 / 2003 | 2001 / 2002 | % CHANGE |
|--|-----------|-------------|-------------|----------|
| Total Injury / Accident Frequent Rate (TIAFR) | - | 54.72 | 59.29 | 7.71 |
| Lost Time Injury Frequency Rate* (LTIFR) | 20.00 | 24.61 | 23.78 | (3.49) |
| Shifts Lost Frequency Rate* (SLFR) | 340 | 421.33 | 430 | 2.09 |
| Fall of Ground Incident Frequency Rate* (FOGIFR) | 6.00 | 7.79 | 8.86 | 12.08 |
| Fatality Injury Frequency Rate* (FIFR) | 0.00 | 0.30 | 0.37 | 18.92 |

* Measured in per million man-hours worked

table 1

| TOTAL CASH OPERATING PROFIT (R'MILLION) | | | |
|---|-----------|-----------|----------|
| Operations | June 2003 | June 2002 | Variance |
| Free State | 364 | 478 | (114) |
| Evander | 272 | 468 | (196) |
| Randfontein | 525 | 615 | (90) |
| Elandskraal | 186 | 415 | (229) |
| Kalgold | 74 | 49 | 25 |
| Australian Operations | 284 | 79 | 205 |
| Sub-total | 1 705 | 2 104 | (399) |
| Free Gold (50%) | 669 | 487 | 182 |
| Total | 2 374 | 2 591 | (217) |

table 2



Excellent organic growth opportunities.

Free Gold

In line with similar previous acquisitions, these operations were restructured and aligned to the best practices in both ARMgold and Harmony. This involves mining the orebody to its optimum grade, thereby eliminating high grading whilst focusing on recapitalising the orebody to allow for more mining flexibility in future.

Underground tonnage was higher at 2 348 000 tonnes. At a 10% lower recovery grade of 7.07 g/t compared to the 7.82g/t for the previous reporting period, attributable gold production was up 115% to 16 587 kg. This year's results include twelve months whereas the previous year's results included only six months.

Underground working costs when measured in R/kg increased by 16% and from R50 867/kg to R58 809/kg and in R/tonne terms by only 5% from R398/tonne to R416/tonne.

Capital expenditure of R82.5 million was incurred as part of the recapitalisation phase to increase the operational flexibility at these operations. Capital expenditure, including new project capital, totalled R132.1 million.

Tonnages from surface were similar in volume but at a lower recovery grade. A total of 2 333 000 tonnes at a recovery grade of 0.59 g/t were treated, resulting in a gold recovery of 1 382kg.

The Free Gold operations will remain an important contributor to our company's bottom line. The re-establishment of flexibility and the implementation of continuous operations (CONOPS), will assist in achieving payback quicker than any of our other spectacular acquisitions.

Whilst Joel continues to deliver improved operational performance, encouraging development results are being achieved in the North Shaft area.

This bodes well for the shaft's future production programme as an increase in ore reserves could result in either an extension of mining operations or increased production in the medium term.

St Helena, whose assets were acquired from Gold Fields Limited on 29 October 2002, is marginal and has not yet contributed to the Free Gold Operations. Although profitable by June 2003, a higher gold price is required to fully exploit the potential of this ore reserve.

The Free Gold operations are now well balanced in terms of operational efficiency and optimisation of the orebody. The successes achieved at Free Gold by first lowering the working cost structure and then by mining to the optimum grade of the orebody, have positioned these operations for further production growth. A number of projects have been announced and are currently under way.

| UNDERGROUND | | 2003 | 2002* | VARIANCE % |
|-----------------------------|--------|---------|---------|------------|
| Tonnes milled (000's) | tonnes | 2 348 | 988 | 138 |
| Recovery grade | g/t | 7.07 | 7.82 | (10) |
| Gold produced | Kg | 16 587 | 7 731 | 115 |
| | Oz | 533 282 | 248 556 | 115 |
| Working cost | R/t | 416 | 398 | (5) |
| | R/Kg | 58 809 | 50 867 | (16) |
| Capital Expenditure (000's) | ZAR | 125 434 | 19 500 | (543) |

* Results for six months only

| SURFACE | | 2003 | 2002* | VARIANCE % |
|-----------------------------|--------|--------|--------|------------|
| Tonnes milled (000's) | tonnes | 2 333 | 1 198 | 95 |
| Recovery grade | g/t | 0.59 | 0.79 | (25) |
| Gold produced | Kg | 1 382 | 950 | 45 |
| | Oz | 44 432 | 30 545 | 45 |
| Working cost | R/t | 37 | 32 | (16) |
| | R/Kg | 63 117 | 40 382 | (56) |
| Capital Expenditure (000's) | ZAR | 6 668 | 12 223 | 45 |

* Results for six months only

Nyala Shaft Project

Project Description

The project, which involves the extraction of a shaft pillar and mining of previously abandoned areas, recently commenced at a capital cost of R67.4 million. It is planned to mine the shaft pillar concurrently with the remaining reserve blocks. Mill tonnage is placed at 51 600 tonnes at a recovered grade of approximately 5.0g/t per month. A total of 15 950kg (513 000 ounces) will be recovered over a seven-year period.

General Geology

The economically viable reefs are the Basal, Leader and A Reefs.

Project Status

The project commenced in March 2003 and we expect production tonnage to report to the plant during the September 2003 quarter. Approximately 1 570 jobs will be created.

Phakisa Shaft Project

Project Description

Phakisa Shaft, a surface shaft, was sunk to access the ore reserve to a depth of 2 421m below surface. It is estimated that the area will yield 18 million tonnes, recovering 136 tonnes of gold over a project life of 20 years. Project completion requires sinking (178m), equipping and commissioning of the shaft with access development and stoping to maximum production build-up at a capital cost of R550 million. The project will, at full production in 2010, achieve rates of 280 000 ounces per annum. Based on a long-term gold price of R93 000/kg and a real discount rate of 8%, the project returns a NPV of R900 million and an IRR of 32%.

General Geology

The ore is mined from the higher grade Basal Reef.

Reserves/Resources

see table 3

Project Status

Site establishment has taken place and tender documents have been issued for shaft sinking and related activities.

Tshepong North Decline Project

Project Description

The Sub 66 Level Decline Project extends below the lowest current working level of Tshepong North Shaft. The Project will convert the high-grade resource to reserves and increase production from Tshepong North Shaft.

General Geology

The planned Sub 66 Level Decline will access the UF1 and UF2 reefs.

Reserves/Resource

see table 4

Project Status

The project, which was approved during the December 2002 quarter, involves the sinking of a decline at a cost of R280 million. The area will be mined at a rate of 49 000 tonnes per month and, at a grade of 8.77 g/t per tonne, will add 167 000 ounces per annum to the Free Gold production profile. The project is expected to reach full production by July 2007.

Opportunities

- Extension of the known payshoot
- Low risk geology structure
- Potential for expansion
- Earlier gold from Phakisa Shaft resource

Phakisa Shaft Project Reserves/Resources

| RESOURCES | TONNES (mil) | GRADE (g/t) | GOLD (tonnes) | OUNCES (million) |
|-----------|--------------|-------------|---------------|------------------|
| Reserves | 18.6 | 7.68 | 142.7 | 4.6 |
| Resources | 72.4 | 9.83 | 712.2 | 22.9 |

table 3

Tshepong North Decline Project Reserves

| RESOURCES | TONNES (mil) | GRADE (g/t) | GOLD (tonnes) | OUNCES (million) |
|-----------|--------------|-------------|---------------|------------------|
| Reserves | 6.5 | 9.00 | 58.5 | 1.9 |
| Resources | 8.3 | 11.20 | 93.4 | 3.0 |

table 4



Elandsrand new mine project starts to deliver gold.

Elandskraal

The Elandskraal operations experienced a difficult year due to a lack of mining flexibility and problems associated with the infrastructure at the old Elandsrand mine. The development and construction of infrastructure for the new mine received priority and progressed well. The new financial year will see tonnage from the new higher grade mine starting to report to the plant.

Underground tonnage was 15% lower at 1 874 000 compared to 2 194 000 tonnes reported previously. As indicated before, flexibility at the old Elandsrand mine will remain tight until more stopes become available in the new mine, accessing the higher grade payshoot.

Underground recovery grades were 8% lower at 5.76 g/t, whilst gold produced was 22% lower at 10 802 kg compared to the 13 770 kg for the previous financial year.

The lower tonnage, recovery grade and inflationary cost pressures impacted adversely on working costs in both R/kg and R/tonne terms. When measured in R/kg terms, working costs increased by 24% from R65 507/kg to R81 095/kg. When measured in R/tonne terms, working costs increased by 14% from R411 per tonne to R467 per tonne.

Elandskraal incurred R136.8 million in capital expenditure of which R106.1 million was spent on the New Mine Project which is on track and within budget.

The principal reason for the underperformance at Elandskraal can be attributed to problems experienced with the orepass system at Elandsrand. The old shaft orepass system comprises two reef orepasses and one waste orepass from 73 to 98 levels. These orepasses were previously never lined but, as a result of the depth, they have scaled considerably with time.

The reef orepasses started to hang up regularly in mid-2000 due to scaling and this was temporarily rectified. Since October 2002 more serious delays started to manifest themselves and a decision was taken to rehabilitate one of the orepasses. For the duration of the process only one reef orepass was available. The rehabilitation of the orepass was completed during August 2003. During this period Elandsrand experienced severe dilution of grade as waste tonnages were unavoidably mixed with reef tonnages. Although the old Elandsrand mine suffers from a lack of flexibility it can continue to produce profitably at 6 g/t until the new mine kicks in over the next three years.

Deelkraal, which has been suffering from the lack of face availability during the latter half of the year, has holed two raises in the March quarter, and has two more planned for the September 2003 quarter. The increased flexibility will improve tonnages and grade from this operation.

Elandsrand New Mine Project

Project Description

The project, initiated by AngloGold in 1991, was intended to increase the life of mine by exploiting the southern portion of the lease area between 3 000m and 3 600m below surface. This was to be achieved by deepening the sub-vertical and ventilation shafts. Developing to reef is under way on 102., 105, 109 and 113 levels to access the higher grade payshoot which was mined on the shallower levels of the old mine.

General Geology

The deepening consists of the down dip extension of the VCR ore body below 98 level. The VCR is a robust quartz-rich pebble conglomerate.

Reserves/Resources

see table 5

Project Status

- 102 level on reef in May 2002. 102-34 reef raise holed and the first stope was available for mining in June 2003
- 105 level on reef by December 2003
- 109 level on reef by June 2005
- 113 level on reef by June 2007
- First production month from the project will be on the 102-34 line in September 2003
- Life of mine of 17 years

| UNDERGROUND | | 2003 | 2002 | VARIANCE % |
|-----------------------------|--------|---------|---------|------------|
| Tonnes milled (000's) | tonnes | 1 874 | 2 194 | (15) |
| Recovery grade | g/t | 5.76 | 6.28 | (8) |
| Gold produced | Kg | 10 802 | 13 770 | (22) |
| | Oz | 347 291 | 442 714 | (22) |
| Working cost | R/t | 467 | 411 | (14) |
| | R/Kg | 81 095 | 65 507 | (24) |
| Capital Expenditure (000's) | ZAR | 135 376 | 128 076 | (6) |

| SURFACE | | 2003 | 2002 | VARIANCE % |
|-----------------------------|--------|--------|--------|------------|
| Tonnes milled (000's) | tonnes | 1 115 | 1 085 | 3 |
| Recovery grade | g/t | 0.54 | 0.96 | (44) |
| Gold produced | Kg | 601 | 1 037 | (42) |
| | Oz | 19 323 | 33 340 | (42) |
| Working cost | R/t | 37 | 45 | 17 |
| | R/Kg | 68 631 | 46 669 | (47) |
| Capital Expenditure (000's) | ZAR | 1 473 | 715 | (106) |

Elandsrand New Mine Project Reserves/Resources

| RESOURCES | TONNES (mil) | GRADE (g/t) | GOLD (tonnes) | OUNCES (million) |
|-----------|--------------|-------------|---------------|------------------|
| Reserves | 24.4 | 8.44 | 205.8 | 6.6 |
| Resources | 43.8 | 8.82 | 386.5 | 12.4 |

table 5

Doornkop South Reef Project gets go ahead.

Randfontein Operations

Underground tonnage milled decreased by 12% from 3 270 000 tonnes to 2 866 000 tonnes. At a lower recovery grade of 4.94 g/t compared to the 5.06 g/t reported previously, underground gold recovery decreased by 14% to 14 150 kg or 454 932 ounces.

Excellent cost control assisted in containing unit working cost increases to only 5%, from R292 per tonne to R306 per tonne. When measured in R/kg terms, underground working costs increased by 8% from R57 721/kg to R62 065/kg, mainly due to the lower recovery grades.

Expenditure on the recently announced Doornkop South Reef Project started with commitments to date totalling R32.4 million of which an amount of R13.2 million was spent by June 2003.

Doornkop South Reef Project

Project Description

The project, at a capital cost of R1 270 million (July 2002 base), was announced on 22 January 2003 and allows for significant growth in production at Randfontein. Currently the Kimberley Reef is mined on the upper levels of the Doornkop Shaft. The South Reef on the lower levels is the target of the proposed shaft-deepening project.

The project is essentially a shaft completion project with simultaneous development towards the identified mining areas. It is estimated that 117 tonnes or 3.75 million ounces of gold will be recovered from the resource at a recovery grade of 6.37 g/t.

The deepening of the main shaft will be completed by mid-2005 with the development programme finishing in 2007. The production build-up from the South Reef will take place from the beginning of 2006 and will peak by 2012 at 135 000 tonnes per month. The main shaft is currently at a depth of 1 340m below surface and the sub-vertical ventilation shaft at a final depth of 1 949m below surface. To access the South Reef resource the main shaft will be deepened to 217 level or a depth of 2 034m and the spillage incline shaft extended from 222 level to 227 level or a depth of 2 082m below surface.

The project has a life of 18 years and

gold production of 280kg (9 000 ounces) in year one, building up to 1 306kg (42 000 ounces) in year four. After year four, gold production will build up rapidly to 10 264 kg (330 000 ounces) where it will remain up to year 14 when gold production will start declining to the end of the project. The project will create a total of 2 798 employment opportunities.

General Geology

The South Reef lies between 1 650m and 2 000m below surface and at 900m below the Kimberley Reef, dipping at 5 to 10 degrees to the southeast. It is a very thin seam, typically 1 to 10 cm thick.

Reserves/Resources

see table 6

Project Status

The project team's focus to date has included contractor mobilisation, project planning, detailed engineering and the execution of preliminary work.

Work is also taking place in the main shaft. The surface kibble winder has been re-commissioned and the new slipe, line and equipping stage will be delivered early in July 2003. The sinking kibble winder has been delivered and the hoist chamber is in the process of being prepared.

Drilling of the main shaft will commence in February 2004 and according to the programme, the shaft will be commissioned to 222 level (2 032m below collar) by mid-2005.

Opportunities

The mining plan is being reviewed to establish the optimum development strategy on the levels, once development recommences in October 2003. The original plan will be modified to incorporate the possibility of exploiting the reef above 192 level and the areas closest to the shaft on 197 and 202 levels.

| UNDERGROUND | | 2003 | 2002 | VARIANCE % |
|-----------------------------|--------|---------|---------|------------|
| Tonnes milled (000's) | tonnes | 2 866 | 3 270 | (12) |
| Recovery grade | g/t | 4.94 | 5.06 | (2) |
| Gold produced | Kg | 14 150 | 16 534 | (14) |
| | Oz | 454 932 | 531 578 | (14) |
| Working cost | R/t | 306 | 292 | (5) |
| | R/Kg | 62 065 | 57 721 | (8) |
| Capital Expenditure (000's) | ZAR | 17 047 | 6 655 | (156) |

| SURFACE | | 2003 | 2002 | VARIANCE % |
|-----------------------------|--------|--------|--------|------------|
| Tonnes milled (000's) | tonnes | 2 007 | 1 529 | 31 |
| Recovery grade | g/t | 0.57 | 0.61 | (7) |
| Gold produced | Kg | 1 150 | 935 | 23 |
| | Oz | 36 973 | 30 060 | 23 |
| Working cost | R/t | 36 | 40 | 10 |
| | R/Kg | 63 476 | 65 103 | 3 |
| Capital Expenditure (000's) | ZAR | 15 478 | 7 646 | (102) |

Doornkop South Reef Project Reserves/Resources

| RESOURCES | TONNES (mil) | GRADE (g/t) | GOLD (tonnes) | OUNCES (million) |
|-----------|--------------|-------------|---------------|------------------|
| Reserves | 2.3 | 6.68 | 15.2 | 0.5 |
| Resources | 38.7 | 6.64 | 257.2 | 8.3 |

table 6



Back on track following the seismic event in July 2002.

Evander Operations

A seismic event which registered 4.1 on the Richter scale took place on 12 July 2002 at Evander No. 8 Shaft and adversely impacted on the performance of these operations over the past year. Cash operating profits decreased by 42% from R468 million to R272 million. The main contributing factor was a 8% decrease in underground tonnage, down from 2 107 000 tonnes to 1 945 000 tonnes for the period under review. The fact that 8 Shaft is the highest grade operation at Evander, resulted in overall gold recovery grade and production being significantly affected. Although the shaft was back in operation four weeks after the event, the re-establishment of higher grade mining areas took longer than anticipated.

The impact of lower tonnages and recovery grade as well as the re-

establishing costs at 8 Shaft impacted on working costs in both R/kg and R/tonne terms. When measured in R/kg terms, working costs increased by 27% from R56 085/kg to R71 062/kg and in R/tonne terms from R340/tonne to R405/tonne.

The operational performance of Evander 8 Shaft continues to improve. Underground tonnage is returning back to levels of 55 000 tonnes per month whilst the grade is showing similar improvement to recovery grades of 6.0 g/t. With Evander 8 Shaft performing at these levels, the overall production results from Evander returned to pre-seismic event levels of production and recovery grade during the June 2003 quarter.

Capital expenditure at Evander is expected to remain at approximately R90 million per annum. The bulk of the capital is for extending the declines at No. 7 and 8 Shafts.

Evander - further growth project

Two well-known projects, Poplar and Rolspruit, were included in the acquisition of Evander in 1998 at zero cost. The Poplar Project is a brownfields area which contains 10.8 million ounces of gold. A feasibility study which evaluates the exploration of this prospective orebody, through a twin shaft system from surface to a depth of 1 200m below surface, has been completed.

The resource from the Rolspruit Project which is contiguous to Evander 8 Shaft is situated between 1 535m to 2 515m below surface. Various options are currently being evaluated to exploit this geological resource of 17.4 million ounces of gold.

The Poplar and Rolspruit Projects, which could grow and extend the life of these operations by some 15 years, need higher gold prices to proceed. Should the gold price reach levels of above R100 000/kg, the viability of the two projects will be revisited.

| UNDERGROUND | | 2003 | 2002 | VARIANCE % |
|-----------------------------|--------|---------|---------|------------|
| Tonnes milled (000's) | tonnes | 1 945 | 2 107 | (8) |
| Recovery grade | g/t | 5.69 | 6.05 | (6) |
| Gold produced | Kg | 11 075 | 12 756 | (13) |
| | Oz | 356 069 | 410 113 | (13) |
| Working cost | R/t | 405 | 340 | (19) |
| | R/Kg | 71 062 | 56 085 | (27) |
| Capital Expenditure (000's) | ZAR | 87 888 | 90 622 | 3 |

| SURFACE | | 2003 | 2002 | VARIANCE % |
|-----------------------------|--------|--------|--------|------------|
| Tonnes milled (000's) | tonnes | 182 | 245 | (26) |
| Recovery grade | g/t | 0.7 | 0.67 | 4 |
| Gold produced | Kg | 128 | 164 | (22) |
| | Oz | 4 115 | 5 273 | (22) |
| Working cost | R/t | 46 | 30 | (53) |
| | R/Kg | 65 107 | 45 330 | (43) |
| Capital Expenditure (000's) | ZAR | 10 786 | 7 255 | (49) |

Most leveraged to the gold price.

Free State Operations

The Free State Operations reported a 24% decrease in cash operating profits from R478 million to R364 million. The lower gold price towards the end of the financial year resulted in a higher cut-off which restricted volumes. Underground tonnage milled decreased from 4 305 000 tonnes to 4 281 000 tonnes. The decreased tonnage at a lower recovery grade of 4.26 g/t compared to the 4.32 g/t reported previously resulted in a net 2% decrease in overall gold recovered, down from 18 620 kgs to 18 255 kgs.

Good cost control assisted in underground unit costs increasing by 10% from R311/t to R341/t and in R/kg terms increasing by 11% to R79 894/kg. This is the section of the company which has the most gearing to the gold price. It comprises operational teams who also understand what it takes to mine profitably at underground recovery grades of just above 4.2 g/t.

The Masimong Expansion Project in the Free State performed well during the year and continues to build up production.

Masimong Expansion Project

Project Description

Masimong Mine is located approximately 280km south-west of Johannesburg, and 10km from Virginia. The complex comprises three shafts: Masimong 4 and 5 Shafts and Saaiplaas.

The Masimong Expansion Project was primarily a development project with the major emphasis at No. 5 Shaft. From the development would follow a gradual production build-up from 27 800m²/month (130 000t @ 4.92g/t) to production levels of 44 000m² (191 000t @ 5.17g/t), yielding in excess of 900kg of gold per month by 2005. This project has a life in excess of 15 years.

General Geology

The reefs mined at Masimong are the Basal Reef, B Reef and A Reef. The Basal Reef is mined at all three shafts whilst the A Reef is mined at Masimong 4 Shaft and the B Reef is mined at Masimong 5 Shaft.

Grade within these reefs are highly variable, whilst channel width is also variable and ranges from a few centimetres to approximately 1.8m.

Reserves/Resources

see table 7

Project Status

During the 2003 financial year an average of 850m of capital development was completed per month. This has created new raise lines for production build-up. Production in 2003 increased from approximately 22 000m² (90 000 tonnes producing 421kg) to 25 800m² per month (124 000 tonnes producing 621kg). Further organic growth will be achieved on the back of the capital development completed during 2003 as well as the additional capital development planned for 2004.

Opportunities

Other mining opportunities at Masimong include:

- The area above 1 650 level at Masimong 5 Shaft, which would require an incline shaft to be developed above the existing top mining level in order to access the high-grade Basal Reef payshoot towards the northern part of the mine;
- The B Reef at Saaiplaas Shaft;
- The North-West block at Saaiplaas Shaft which will be equipped and developed and should extend the life of the shaft by approximately five years.

| UNDERGROUND | | 2003 | 2002 | VARIANCE % |
|-----------------------------|--------|---------|---------|------------|
| Tonnes milled (000's) | tonnes | 4 281 | 4 305 | (1) |
| Recovery grade | g/t | 4.26 | 4.32 | (1) |
| Gold produced | Kg | 18 255 | 18 620 | (2) |
| | Oz | 586 909 | 598 644 | (2) |
| Working cost | R/t | 341 | 311 | (10) |
| | R/Kg | 79 894 | 71 933 | (11) |
| Capital Expenditure (000's) | ZAR | 86 691 | 69 706 | (24) |

| SURFACE | | 2003 | 2002 | VARIANCE % |
|-----------------------------|--------|--------|--------|------------|
| Tonnes milled (000's) | tonnes | 1 056 | 231 | (357) |
| Recovery grade | g/t | 0.71 | 1.79 | (10) |
| Gold produced | Kg | 753 | 414 | 82 |
| | Oz | 24 209 | 13 310 | 82 |
| Working cost | R/t | 57 | 27 | (111) |
| | R/Kg | 79 420 | 14 834 | (435) |
| Capital Expenditure (000's) | ZAR | 39 841 | 37 178 | (7) |

Masimong Expansion Project Reserves

| RESOURCES | TONNES (mil) | GRADE (g/t) | GOLD (tonnes) | OUNCES (million) |
|-----------|--------------|-------------|---------------|------------------|
| Reserves | 16.2 | 4.87 | 78.7 | 2.5 |
| Resources | 426.4 | 3.55 | 14.6 | 48.6 |

table 7



Third mill will allow for production growth.

Kalgold

Kalgold had a good year, reporting cash operating profits of R74 million. Total tonnage milled of 1 084 000 tonnes at a recovery grade of 2.14 g/t resulted in gold recovery of 2 320 kg.

Working costs decreased by 3% to

R65 142/kg leaving Kalgold with a healthy cash operating profit margin of 32%. The increase in capital expenditure was due to the installation of an additional mill.

The project to increase the milling capacity at Kalgold by 50 000 tonnes per month to 130 000 tonnes, was completed

with the installation of a third mill. Lower grade tonnage, available from a 1.1 million tonne stockpile, will be treated resulting in an increased gold recovery. The planned average overall feed grade to the plant is, however, expected to decrease from 2.5 g/t to 2.2 g/t.

| OPENCAST | | 2003 | 2002 | VARIANCE % |
|-----------------------------|--------|--------|--------|------------|
| Tonnes milled (000's) | tonnes | 1 084 | 961 | 13 |
| Recovery grade | g/t | 2.14 | 2.01 | 6 |
| Gold produced | Kg | 2 320 | 1 934 | 20 |
| | Oz | 74 590 | 62 179 | 20 |
| Working cost | R/t | 139 | 135 | (3) |
| | R/Kg | 65 142 | 66 945 | 3 |
| Capital Expenditure (000's) | ZAR | 38 941 | 752 | (5 078) |

Restructured for profitability.

Australian Operations

The Australian Operations increased gold production by over 100% as a result of the inclusion of the results of Hill 50. Average recovered grades and average working costs per tonne increased as the proportion of underground ore being treated increased.

The mining of gold which is unprofitable on a total cost basis, has been phased out. One of the

consequences of this decision was the cessation of production from the western leases at Big Bell and the closure of the Big Bell mill.

Production from our Australian Operations is planned to decrease to a level of 340 000 ounces per annum. The hedge book for the remainder of 2003 has been closed out, thereby exposing the operations to the spot gold price. All mining that could not cover total costs at the spot price has been stopped. We will

continue to restructure the remaining hedge book, bringing the operations in line with the company's philosophy of being unhedged. Production from Australia is dependent on the management teams' ability to discover sufficient quality resources to replace tonnage currently mined.

Capital expenditure increased from R69.4 million to R242.1 million for the 2002/03 financial year.

| TOTAL OPERATIONS | | 2003 | 2002 | VARIANCE % |
|-----------------------------|--------|---------|---------|------------|
| Tonnes milled (000's) | tonnes | 7 148 | 4 782 | 49 |
| Recovery grade | g/t | 2.22 | 1.65 | 35 |
| Gold produced | Kg | 15 852 | 7 869 | 101 |
| | Oz | 509 654 | 252 993 | 101 |
| Working cost | R/t | 171 | 127 | (35) |
| | R/Kg | 77 151 | 77 159 | - |
| Capital Expenditure (000's) | ZAR | 242 118 | 233 000 | (4) |

The stronger Rand impacted adversely on all South African producers' profit margins. These are circumstances similar to those in which we grew from 580 000 ounces per annum in 1995 to a record 3 million ounces by 2003.



The year ahead

Stronger currencies in the countries in which we operate, relatively high inflationary pressure in South Africa and the challenge to all gold producers of replacing mined reserves, await us in the next 12 months.

Tough times call for tough measures and experienced leadership. Your team at Harmony has delivered consistent growth during previous periods of hardship. We have implemented a battle plan which I believe will see us through this period, placing us in a stronger position to continue our growth story.

The main components are:

- Australian operations restructured for profitability;
- continued exploration success in Papua New Guinea (PNG);
- one of the industry's most affordable growth project pipelines;

- increased exposure to better quality ounces through the inclusion of the other 50% of Free Gold;
- the first of many agreements with unions to increase production shifts to 354 shifts per year;
- continued emphasis on our "Cost Marathon";
- increased potential for asset acquisitions in South Africa due to industry shrinking profit margins;
- exposure to real growth opportunities through our strategic investments in Avmin, Avgold, High River Gold, Highland Gold Limited and Bendigo.

None of these will be achievable without the combined dedication and support of the rest of my team, management, workers and the unions alike.

Bernard Swanepoel



“ First they whistled at us. Now they like us! We’ve earned their respect.”

TEN PEOPLE. ONE STORY.

Name
Mamsy Moyo
Time at Harmony
2.5 years
Works at
Cooke 3
Started as
Loco driver
Position today
Learner Miner

My dream was to be a lawyer but my mother couldn't afford it. So I decided to do nursing and got my standard ten but I ended up in cosmetics as a shelf-packer for five years with no chance of promotion.

In Kagiso I used to hear about everything that happens in a mine. I saw opportunities for myself. But a lot of women said we women can't do it. Men said women are too weak. It was a challenge to show that I could make my life better and that women can do any job in the mine.

I see myself as a manager one day. The Harmony Way is about upgrading people – and women especially. You used to stay as a loco driver or generalist for a long time. Now you can move faster. We already have women on shaft management teams. I want to learn hard and get more experience.

I've done all the jobs at the face. Underground is not so scary as long as you're following safety rules and procedures. Men like to say that a woman can't blast but when they see us working they say, "Wow, this lady is strong, she can even drill!" They say we're earning the same money so we must lift things ourselves. It's better for you to do it yourself, but even men help each other. They are learning to accept that we are part of the team. First they whistled at us. Now they like us! We've earned their respect.

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SECTION 3

ORE RESERVE STATEMENT

IN OTHER WORDS

The future of a gold mining company is dependant on the quality of its assets, i.e. its ore reserves.

Our reserve base increased by 26% from 49 million ounces to 62 million ounces over the last year. We continue to invest in our ore bodies in order to upgrade resource ounces to the reserve category through on-mine and brownfield projects.

Our unique ore reserve management system enables us to optimise the extraction of the orebodies we own.

SECTION 3

ORE RESERVE STATEMENT

ORE RESERVES RECONCILIATION 2002/2003

| | Mt | Au(t) | Moz |
|---------------------------------------|------------|--------------|-------------|
| Balance as at June 2002 | 273 | 1 527 | 49.1 |
| Less mined (Attribute to Harmony) | (28) | (96) | (3.0) |
| Added through ARMgold merger - Orkney | 13 | 70 | 2.2 |
| - Free Gold | 55 | 393 | 12.6 |
| - Replacement | 65 | 32 | 1.0 |
| Balance as at June 2003 | 378 | 1 926 | 61.9 |

3.1 REPORTING CODE

Harmony's declaration complies with the South African Code for reporting of Mineral Resources and Mineral Reserves (the SAMREC Code), which sets out the internationally recognised procedures and standards for reporting mineral resources and reserves in South Africa. The code was prepared under the auspices of the South African Institute of Mining and Metallurgy (SAIMM). It is modelled on the JORC code of the Australasian Institute of Mining and Metallurgy (AusIMM). Our Australian reserves and resources are compliant with the Australian code.

The following tables summarise the inventory of Harmony's mineral resources and mineral (ore) reserves, including 100% of ARMgold and Free Gold. The mineral resources are quoted as in situ grams and ounces, above a cut-off and over an estimated stoping width. The mineral reserves are quoted inclusive of diluting material as tonnes and grade delivered to the mill. The final recovery grade will be lower than the declared grade as the recovery factor of the various plants is applied

3.2 MINERAL RESERVES SCHEDULE – METRIC

| Region | Proved | | | Probable | | | Total Reserve | | |
|--------------------|------------------|-------------|---------------|------------------|-------------|---------------|------------------|-------------|---------------|
| | Tonnes (million) | Grade (g/t) | Gold (tonnes) | Tonnes (million) | Grade (g/t) | Gold (tonnes) | Tonnes (million) | Grade (g/t) | Gold (tonnes) |
| Free State | 26.3 | 4.6 | 121.3 | 21.8 | 4.6 | 100.2 | 48.2 | 4.6 | 221.5 |
| Evander | 10.5 | 6.6 | 68.7 | 60.1 | 7.1 | 424.4 | 70.6 | 7.0 | 493.1 |
| Randfontein | 17.1 | 4.9 | 84.4 | 9.3 | 5.0 | 46.1 | 26.4 | 4.9 | 130.6 |
| Elandskraal | 16.9 | 7.5 | 125.7 | 23.0 | 8.2 | 189.5 | 39.9 | 7.9 | 315.2 |
| Kalgold | 7.6 | 2.0 | 15.5 | 0.1 | 1.4 | 0.2 | 7.7 | 2.0 | 15.6 |
| Australia | 5.8 | 2.0 | 11.6 | 9.0 | 4.0 | 36.1 | 14.7 | 3.2 | 47.7 |
| Free Gold | 24.1 | 7.9 | 190.0 | 58.2 | 7.0 | 406.1 | 82.3 | 7.2 | 596.1 |
| ARMgold | 8.6 | 5.7 | 49.3 | 4.6 | 4.4 | 20.2 | 13.2 | 5.3 | 69.6 |
| SA Surface Sources | 48.9 | 0.5 | 23.2 | 25.9 | 0.5 | 13.5 | 74.7 | 0.5 | 36.7 |
| Total | 165.6 | 4.2 | 689.8 | 212.1 | 5.8 | 1236.4 | 377.7 | 5.1 | 1926.2 |

3.3 MINERAL RESERVES SCHEDULE – IMPERIAL

| Region | Proved | | | Probable | | | Total Reserve | | |
|--------------------|------------------|--------------|-------------------|------------------|--------------|-------------------|------------------|--------------|-------------------|
| | Tonnes (million) | Grade (oz/t) | Gold (oz million) | Tonnes (million) | Grade (oz/t) | Gold (oz million) | Tonnes (million) | Grade (oz/t) | Gold (oz million) |
| Free State | 29.01 | 0.13 | 3.90 | 24.08 | 0.13 | 3.22 | 53.09 | 0.13 | 7.12 |
| Evander | 11.54 | 0.19 | 2.21 | 66.25 | 0.21 | 13.65 | 77.79 | 0.20 | 15.85 |
| Randfontein | 18.87 | 0.14 | 2.71 | 10.21 | 0.15 | 1.48 | 29.09 | 0.14 | 4.20 |
| Elandskraal | 18.58 | 0.22 | 4.04 | 25.40 | 0.24 | 6.09 | 43.98 | 0.23 | 10.14 |
| Kalgold | 8.34 | 0.06 | 0.50 | 0.13 | 0.04 | 0.01 | 8.47 | 0.06 | 0.50 |
| Australia | 6.34 | 0.06 | 0.37 | 9.91 | 0.12 | 1.16 | 16.25 | 0.09 | 1.54 |
| Free Gold | 26.53 | 0.23 | 6.11 | 64.18 | 0.20 | 13.06 | 90.71 | 0.21 | 19.17 |
| ARMgold | 9.50 | 0.17 | 1.59 | 5.09 | 0.13 | 0.65 | 14.59 | 0.15 | 2.24 |
| SA Surface Sources | 53.85 | 0.01 | 0.75 | 28.51 | 0.02 | 0.44 | 82.36 | 0.01 | 1.18 |
| Total | 183 | 0.12 | 22.2 | 234 | 0.17 | 39.8 | 416 | 0.15 | 61.9 |



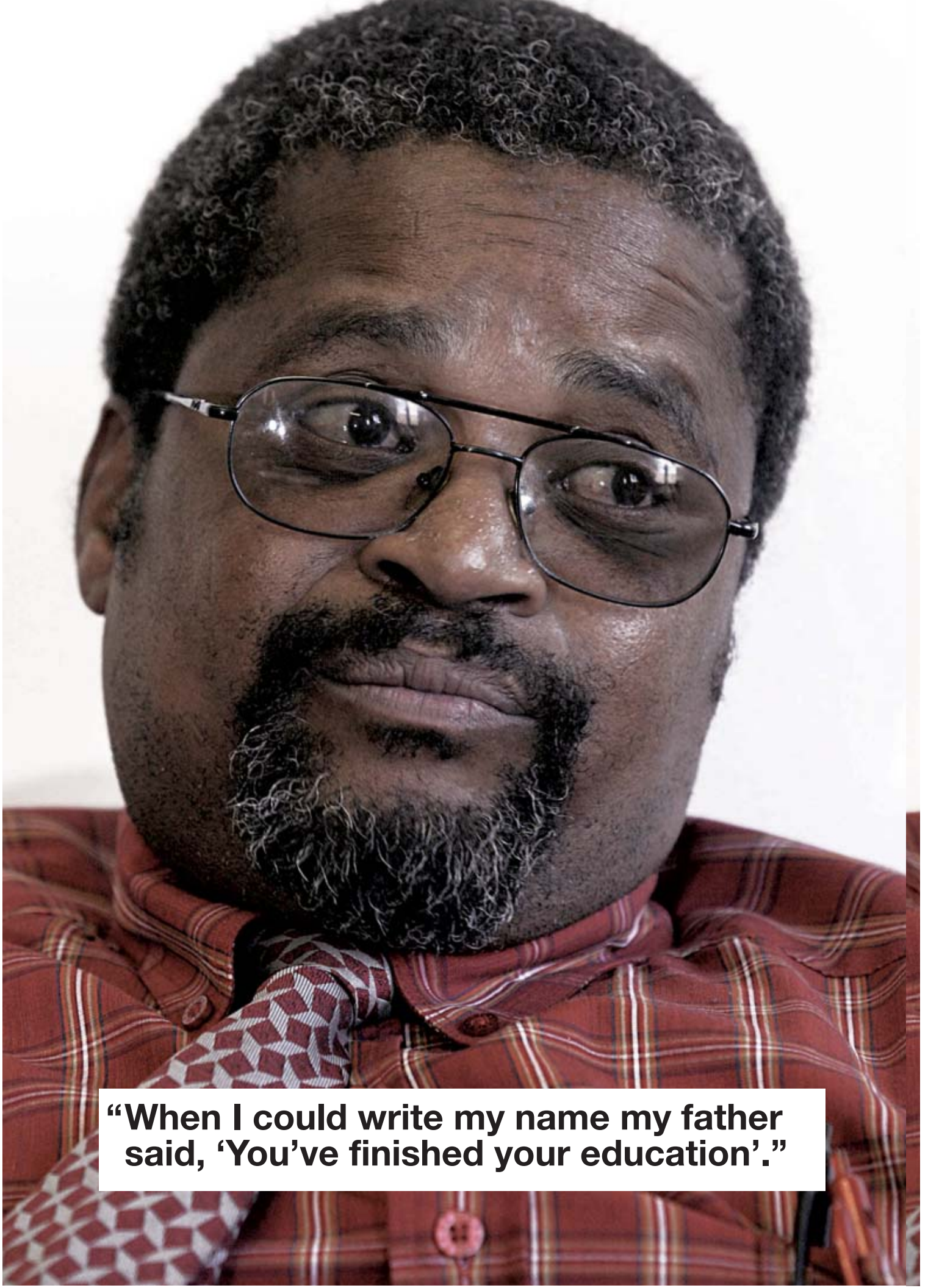
3.4 MINERAL RESOURCES

Mineral Resources are inclusive of the reserve figures.

| Category | Metric | | | Imperial | | |
|-------------------------|---------------------|----------------|------------------|---------------------|-----------------|----------------------|
| | Tonnes (million) | Grade (g/t) | Gold (tonnes) | Tonnes (million) | Grade (oz/t) | Gold (oz million) |
| Total Company | | | | | | |
| Measured | 371 | 5.14 | 1,908 | 409 | 0.15 | 61.3 |
| Indicated | 1,023 | 3.47 | 3,545 | 1,127 | 0.10 | 114.0 |
| Inferred | 2,609 | 2.80 | 7,304 | 2,876 | 0.08 | 234.8 |
| Total | 4,003 | 3.19 | 12,757 | 4,412 | 0.09 | 410.2 |
| Free State | | | | | | |
| Measured | 66 | 5.03 | 332 | 73 | 0.15 | 10.7 |
| Indicated | 51 | 4.46 | 227 | 56 | 0.13 | 7.3 |
| Inferred | 592 | 3.30 | 1,952 | 653 | 0.10 | 62.8 |
| Total | 709 | 3.54 | 2,511 | 781 | 0.10 | 80.7 |
| Evander | | | | | | |
| Measured | 26 | 6.27 | 164 | 29 | 0.18 | 5.3 |
| Indicated | 143 | 6.80 | 973 | 158 | 0.20 | 31.3 |
| Inferred | 214 | 5.26 | 1,129 | 236 | 0.15 | 36.3 |
| Total | 384 | 5.91 | 2,265 | 423 | 0.17 | 72.8 |
| Randfontein | | | | | | |
| Measured | 48 | 4.93 | 236 | 53 | 0.14 | 7.6 |
| Indicated | 46 | 4.64 | 214 | 51 | 0.14 | 6.9 |
| Inferred | 478 | 3.25 | 1,552 | 526 | 0.09 | 49.9 |
| Total | 572 | 3.50 | 2,003 | 630 | 0.10 | 64.4 |
| Elandskraal | | | | | | |
| Measured | 26 | 8.08 | 213 | 29 | 0.24 | 6.8 |
| Indicated | 27 | 9.13 | 247 | 30 | 0.27 | 7.9 |
| Inferred | 55 | 6.12 | 338 | 61 | 0.18 | 10.9 |
| Total | 109 | 7.34 | 798 | 120 | 0.21 | 25.7 |
| Kalgold | | | | | | |
| Measured | 26 | 1.66 | 43 | 28 | 0.05 | 1.4 |
| Indicated | 3 | 2.04 | 7 | 4 | 0.06 | 0.2 |
| Inferred | 15 | 1.78 | 26 | 16 | 0.05 | 0.8 |
| Total | 44 | 1.73 | 76 | 48 | 0.05 | 2.4 |
| Canada (Bissett) | | | | | | |
| Measured | 0 | 8.41 | 4 | 1 | 0.25 | 0.1 |
| Indicated | 1 | 9.14 | 6 | 1 | 0.27 | 0.2 |
| Inferred | 1 | 10.04 | 7 | 1 | 0.29 | 0.2 |
| Total | 2 | 9.30 | 18 | 2 | 0.27 | 0.6 |
| Australia | | | | | | |
| Measured | 14 | 2.49 | 35 | 15 | 0.07 | 1.1 |
| Indicated | 66 | 2.42 | 160 | 73 | 0.07 | 5.2 |
| Inferred | 70 | 2.10 | 147 | 77 | 0.06 | 4.7 |
| Total | 150 | 2.27 | 342 | 166 | 0.07 | 11.0 |
| Free Gold | | | | | | |
| Measured | 53 | 8.60 | 452 | 58 | 0.25 | 14.5 |
| Indicated | 104 | 7.56 | 786 | 115 | 0.22 | 25.3 |
| Inferred | 375 | 4.99 | 1,874 | 414 | 0.15 | 60.3 |
| Total | 532 | 5.85 | 3,113 | 586 | 0.17 | 100.1 |
| ARMgold | | | | | | |
| Measured | 63 | 6.45 | 406 | 69 | 0.19 | 13.1 |
| Indicated | 206 | 3.79 | 781 | 227 | 0.11 | 25.1 |
| Inferred | 22 | 3.08 | 67 | 24 | 0.09 | 2.1 |
| Total | 291 | 4.31 | 1,254 | 320 | 0.13 | 40.3 |
| Surface Sources | | | | | | |
| Measured | 49 | 0.49 | 24 | 54 | 0.01 | 0.8 |
| Indicated | 375 | 0.38 | 143 | 413 | 0.01 | 4.6 |
| Inferred | 787 | 0.27 | 211 | 867 | 0.01 | 6.8 |
| Total | 1,211 | 0.31 | 379 | 1,335 | 0.01 | 12.2 |

Mineral Resources are declared using a cut-off of approximately 250 cmg/t for the underground mines (approximately 2g/t), 0.8g/t for open pits.

*Cautionary note to US Investors. The United States Securities and Exchange Commission (the "SEC") permits mining companies, in their filings with the SEC, to disclose only those mineral deposits that a company can economically and legally extract or produce. We use certain terms in this annual report, such as "resources", that the SEC guidelines strictly prohibit us from including in our filings with the SEC.



“When I could write my name my father said, ‘You’ve finished your education’.”

TEN PEOPLE. ONE STORY.

Name
Bethuel Xungu
Time at ARMgold
5 Years
Works at
Orkney
Started as
Driver
Position today
Human Relations
Leader

When I could write my name my father said, 'You've finished your education'. I was expected to look after his cattle. But life was difficult.

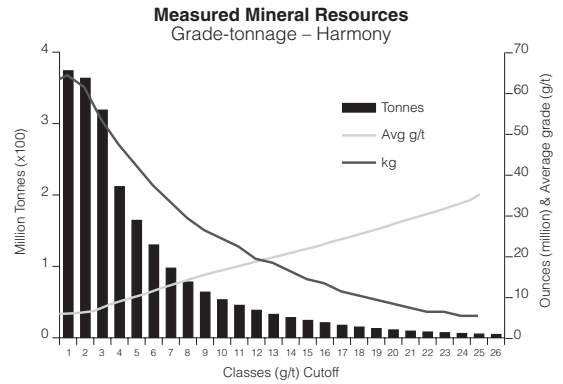
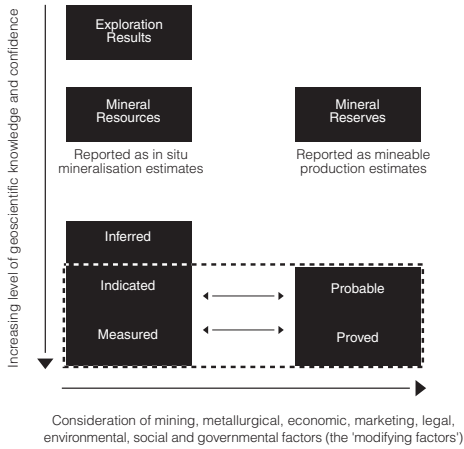
I joined the industry in 1976 doing nearly every underground job – all the while educating myself. While queueing for the cage I was reading.

The old system was dictatorial and violent. I would have left but the challenge to be part of NUM was stronger. After the 21 day strike in 1987 the militants were all sent home, but some of us returned to build NUM structures. The industry was hostile. NUM adopted policies like worker control.

Then the industry realised it needed trade unions. Everything became agreements and companies sent people to learn industrial relations. I became one of the first full-time shop stewards and I started to understand the industry more. In 1996, in agreement with NUM, I was appointed to management as senior personnel officer for public affairs. Getting labour to understand the benefits of a convergence of interests is a challenge. Illiteracy makes it a big job.

Then I joined ARMgold and was excited by being exposed to the business aspects of mining. I also found that there were managers prepared to fight for change in the industry as much as we had fought for freedom. No subject was taboo.

The values and norms of Harmony are almost the same as ARMgold. Harmony's social plan deals well with life beyond mining. With the merger, I predict growth with the current philosophy and credibility.



3.5 SAMREC CODE

Definitions

A mineral resource is a concentration (or occurrence) of material of economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable and realistic prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a mineral resource are estimated from specific geological evidence and knowledge, or interpreted from a well-constrained and portrayed geological model. Mineral Resources are subdivided, in order of increasing confidence in respect of geoscientific evidence, into Measured, Indicated and Inferred categories.

The Measured mineral resource is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

The Indicated mineral resource is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

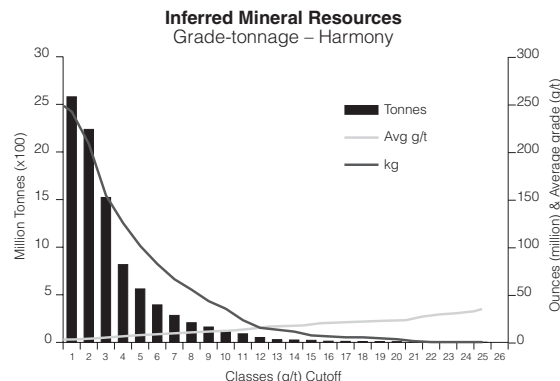
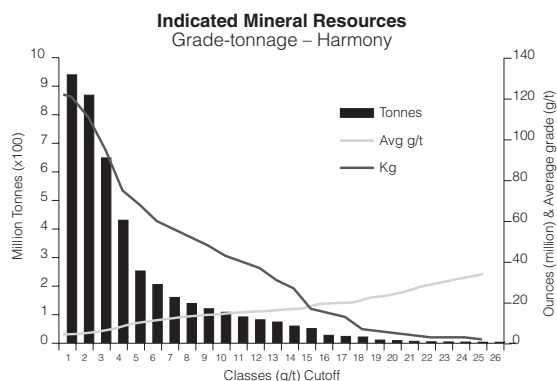
The Inferred mineral resource is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as workings and drill holes that may be limited or of uncertain quality and reliability.

A Mineral Reserve is the economically mineable material derived from a Measured and/or Indicated mineral resource. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. The Mineral Reserves are sub-divided in order of increasing confidence into Probable Mineral Reserves and Proved Mineral Reserves.

The Probable Mineral Reserve is the economically mineable material derived from the Indicated mineral resource. It is estimated with a lower level of confidence than a Proved Mineral Reserve, is inclusive of diluting materials and allows for losses that may occur when the material is mined.

The Proved Mineral Reserve is the economically mineable material derived from the Measured mineral resource and is estimated with a high level of confidence. It is inclusive of diluting materials and allows for losses that may occur when the material is mined.

The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources converted to the Mineral Reserves.



3.6 MINERAL RIGHTS

All Harmony's mineral resources and mineral reserves are located within applied for Areas of Mining Authorisation at each of our mines.

Applications are being prepared to have all our "old order" Areas of Mining Authorisation converted to "new order" Mining Rights in line with the requirements of the new Mineral and Petroleum Resources Development Act.

A great deal of work has been, and is being put into assessing Harmony's "old order" Mineral Rights lying outside of the applied for Areas of Mining Authorisation in all mining regions.

To facilitate this mineral rights conversion process in order to comply with the new Mineral and Petroleum Resources Development Act, Harmony has retained the services of a consulting geologist. He will assist the Harmony geological personnel in reviewing all of Harmony's Mineral Rights prior to an executive decision being made on what to do with these "old order" Rights.

3.7 GEOLOGICAL MODELLING

Harmony's foundational philosophy for managing its operations has always been "let the orebody dictate". In spite of the fact that the Free State mining complex, Free Gold, Elandskraal, Evander and Randfontein are all mature mining operations where the geology is generally well understood, it was decided to challenge the geological models continuously. In order to do so the geologists in the operational regions were requested to review their geological models. Geological Forums were established in each region to facilitate this review. Each region presented its review of its regional models to senior company geological staff. From each review

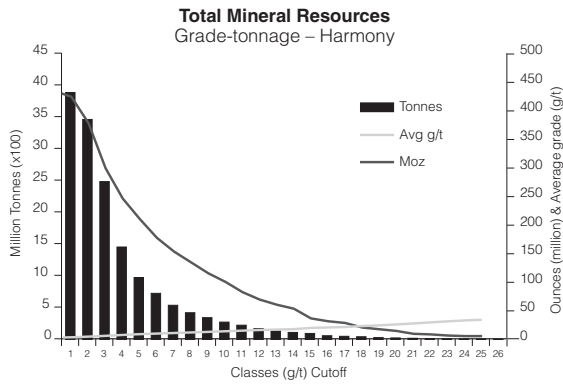
presentation shortcomings in the models were identified and further programmes devised. The geologists continue to meet on a regular basis to discuss/workshop aspects of their regional geological models.

The result of the work done in the Geological Forums has helped to ensure that the "Geo" in Geostatistics remains paramount. Consequently, the latest declaration of mineral resources was based on a more thorough understanding and interpretation of the geology, resulting in more accurate estimates than in previous years.

For the purposes of geological interpretation, and to define areas of reasonable similarity for geostatistical analysis, each mine section is subdivided into coherent geozones. Typically, each mine section may have five to ten geozones bounded by major faults, distinct changes in sedimentological faces and less distinct boundaries defining areas where there is a noticeable regional change in the general grade of the reef.

Each mine's mineral resources are categorised, blocked out and ascribed an estimated value. Typically, measured and indicated resource blocks are aligned in the direction of mining. The blocks comprise the length of a mining panel (20 to 30m) and extend beyond the mine workings to a distance that is equivalent to three months' mining.

Consequently, these blocks are typically 30m long and 30m wide, although at Evander there are some substantially larger blocks defined along pay channels. Beyond the indicated blocks, large inferred blocks are defined up to the mine boundary.



3.8 GRADE AND TONNAGE ESTIMATION

Resource estimation techniques at the mining operations follow the same basic principles however, different computer software packages are employed by the different regions.

Harmony and Joel use a newly established computerised system, utilising a 3D mining software package allowing the completion of all blocking, statistics, geostatistics and grade and tonnage estimation in a fully integrated evaluation system. This system is currently being developed and managed centrally with specialised support staff.

Bambanani, West, Tshepong and Phakisa use more established 2D CAD computer systems, that have been developed to suit the tabular nature of the Witwatersrand gold deposits.

At these operations all survey data and sampling information is captured digitally and stored in an electronic database. At all of the ARMgold operations, Kudu and Sable, Nyala, Eland and St. Helena data capture and estimation is paper-based.

Statistics: Where data is captured digitally each mine uses its defined geozones to subdivide the Reef data into discrete data populations that have distinct grade distribution characteristics. Statistical analyses of the metal accumulation values are undertaken so as to substantiate the different grade populations in each domain. The data will often be log transformed to allow a lognormal or compound lognormal model to be applied. In some cases, other parameters - such as channel width and stope width - will be analysed to look for trends that could be investigated further with geostatistics and interpolated.

Data is checked and validated and any extreme values investigated to ensure there are no transcription errors. Harmony employs despiking and grade cutting techniques on some of the Secondary Reef data to assist with further statistical and

geostatistical studies.

Geostatistics: "Point" variograms are constructed from underground channel samples logged metal accumulation values - and borehole data in the case of Harmony - for each domain. The data generally provides well-structured, two component spherical variograms with high nugget effects (50% to 80%) and ranges of 10m to 20m and 60m to 90m. These variograms are usually isotropic. This indicates a high random variability in sample grades and an underlying spatial control on sample grades whose zone of influence extends for up to 90m in all directions.

Further variography is carried out on data to be used in the macro kriging process. These data are used to construct variograms comprised of regularised channel sample data, diamond drillhole intersections and underground drillhole intersections.

The variograms from these datasets provide a larger scale control on block grade estimation. The large-block regularised data tends to give excellent structure with little or no nugget effect and produces larger ranges, which can exceed 1 500m.

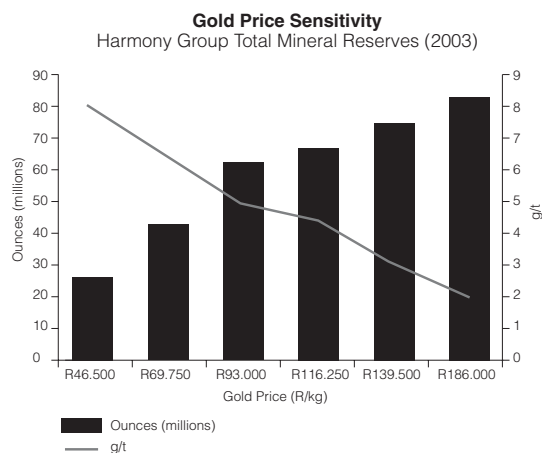
Kriging: At Tshepong, Phakisa, Bambanani and West Mine, kriging is undertaken separately for each geostatistical domain. Channel sample data is used to estimate grade into 10m x 10m blocks using ordinary kriging based on the point variograms and a search radius equivalent to the short range in the variograms. Only those blocks with a high statistical confidence (regression slope greater than 0.6) are evaluated by this method.

Next, 30m x 30m blocks are used to house values generated by a simple kriging process. This incorporates the local area mean (based on the ordinary kriged values) into the estimate and therefore smoothes data more than the ordinary kriging. More confidence is given to the kriged values in

those blocks which were not estimated by the ordinary kriging process. The search radius used is approximately 30m and therefore restricts the 30m x 30m block estimates to the vicinity of well-sampled areas. Again, only those blocks with a high statistical confidence within a 3 by 3 neighbourhood search range are evaluated by this method.

A third method is used to extrapolate grades much further using the large-block regularised channel sample data and incorporating the diamond drillhole intersection data which is more dispersed. This kriging is based on large square blocks with 250m long sides and a large search radius. The data is then co-kriged. The blocks from each of the three block models are combined which results in high confidence estimates in the vicinity of the channel sampling. 10m x 10m and 30m x 30m blocks are used which contribute to the measured resource, and well-founded long-range estimates, which contribute to the indicated and inferred resource.

The Kriging technique utilised by Harmony and Joel differs to that stated above. Three prototype block models are created prior to grade estimation, a 15 x 15m measured model, a 30m x 30m Indicated model and a 60m x 60m Inferred model. The kriged estimates of the Measured model are restricted by the range of the semi-variogram and include a minimum of 15 sample points within the search radius. The kriged estimates of the Indicated model are restricted by twice the range with a minimum of two sample points. In general, the Sitchel-t estimate technique and application of calculated additive constants are used for estimation of the Inferred model. The three grade models are then combined to form one overall grade model. Channel widths are also estimated using the same technique.



3.9 DILUTING MATERIALS

The SAMREC code requires that reported mineral reserves are "inclusive of diluting materials and allow for losses that may occur when the material is mined". Guidelines to the code state that "mineral reserves are reported inclusive of marginally economic material and diluting material delivered for treatment or dispatched from the mine without treatment".

Harmony has adjusted the In situ mineral reserve, which is calculated over an anticipated stoping width, to account for those gold losses and other contributing diluting materials. Diluting or additional materials include sundries (tonnes ascribed to gully cuts, faults and waste), on-reef development tonnes (a wider cut with consequential diluting material), reclamation (tonnes from vamping operations in old mine areas), and shortfall (tonnes not called for by the survey department and ascribed no grade).

Each of these items has been ascribed a value based on current mining experience and has typically been calculated over 12 to 20-month periods. Where recent history has shown unusual or exceptional results, these have been adjusted to reflect more typical mining expectations.

Competent persons declaration

The competent persons responsible for the preparation of the company's reserves and resources are Graham Briggs (PrSciNat) for South Africa and Ted Grobicki (PrSciNat) for Australia.

3.10 RESERVE CUT-OFF GRADE

Reserve cut-off grade

In order to define that portion of a measured and indicated mineral resource that can be classified as a proven and probable mineral reserve, Harmony applies the concept of a cut-off grade. The cut-off grade is

determined using the company's Optimiser computer program which requires the following as inputs:

- the database of measured and indicated resource blocks (per shaft section);
- an assumed gold price which, for this ore reserve statement, was taken as R93 000 per kilogram;
- planned production rates;
- planned working costs (Rands per tonne); and
- the mine recovery factor (MRF) which is equivalent to the mine call factor multiplied by the plant recovery factor.

Resource cut-off grade

In order to meet SAMREC's requirements that the material reported as a mineral resource should have "reasonable and realistic prospects for eventual economic extraction", we have determined an appropriate cut-off grade which has been applied to the quantified mineralised body, according to a process incorporating the following parameters:

- a ten-year view; and
- the gold price (in Rand per kilogram) for ten years.

Applying this process as input into Harmony's Optimiser program to determine the cut-off grades, the average value of 250 cmg/t (approximately 2g/t) is used to determine that portion of the mineralised body that is reported as a mineral resource.



**“Gold doesn’t say
which colour you
have to be to
mine it.”**

TEN PEOPLE. ONE STORY.

Name
Frik Venter
Time at Harmony
8 Years
Works at
Unisel
Started as
Shiftboss
Position today
Production coach

It was difficult to accept the changes. Harmony took away the little things like cool drink in the change-house. The only thing that counted was gold. But we're much better off now than we were. And I've realised that, yes, it is about the gold. It's not about comfort, it's about the company. If it wasn't for the company I'd be looking for a job.

We were brought up to believe other people would do the thinking for us. And for a white guy change was difficult. But the changes are amazing. I believe a lot of people can learn from us.

Previously the shift-boss was the only one that did the thinking. The others followed. There were no questions, no challenges. Now everyone must think for himself. Gold doesn't say which colour you have to be to mine it, and the crew's involvement in planning is real. They notice the small things. Even the manager can learn from guys in the team. They understand it's a business – they do their own budgets – order their own material.

If there's any company you can improve yourself in, it's Harmony. You can stand out. This is what I get my guys to understand. My greatest achievement is that a guy I coached 5 years ago still phones today to tell me of his success.

I'm a believer. Not only in the company but in the good Lord – therefore I must bring out the best in myself. Harmony gives me the opportunity to do that. And my contribution is valued.

SECTION 4

SUSTAINABILITY REPORT

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OUR IMPACT ON SOCIETY

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ENVIRONMENTAL SUSTAINABILITY

SECTION 4

SUSTAINABILITY REPORT

IN OTHER WORDS

Sustainability is about minimising the impact of our mining activities on people and the environment.

The people affected are our own employees: their safety, health and development, the communities we function in, and society of which we form part.

The environment is not only water, air and the habitat, but also the availability of these resources for use by future generations.

SECTION 4

SUSTAINABILITY REPORT

4.1 COMPLIANCE WITH KING II

The overall reporting requirement of King II is that "every company should report at least annually on the nature and extent of its social, transformational, ethical, safety, health and environmental management policies and practices. The board must determine what is relevant for disclosure, having regard to the company's particular circumstances". We therefore are not only providing you with financial information, but also our economic, social and environmental achievements - our "triple bottom line". This report should be read in conjunction with the financial information provided, to enable stakeholders to assess what our long-term prosperity in comparison to our short-term profits and gains will be.

The Mining Charter also focuses on issues such as the development of our people and the sustainability of the communities around our mines.

4.2 ETHICS AND INTEGRITY

Harmony is committed to integrity and fair dealing in the conduct of its business. This commitment, which is actively endorsed by the board of directors, is based on a fundamental belief that business should be conducted honestly, fairly and legally. We expect all our employees to share our commitment to high moral, ethical and legal standards. Our commitment to organisational integrity has been incorporated into a Code of Ethics, which applies equally to all employees. The term "employees" is used in the broadest sense and encompasses all staff with whom a service contract exists, including directors, contractors, consultants and temporary staff.

If employees become aware of, or suspect, a contravention of the Code they are encouraged to advise their line manager or Internal Audit. Should they wish to remain anonymous, they can also make use of our toll-free line to report the matter which will then be investigated and dealt with according to "Harmony's Disciplinary Code".

Employees must comply with all the applicable laws and regulations which relate to their activities for and on behalf of Harmony. We do not condone any violation of the law or unethical business dealings by any employee, including any payment for, or other participation in an illegal act, such as bribery.

We believe that our employees perform their duties conscientiously, honestly and in accordance with the best interests of Harmony, thereby optimising our business objectives.



4.3 OUR EMPLOYEES' HEALTH AND SAFETY

Our Health, Safety and Environmental Audit Committee

Our Health, Safety and Environmental Audit Committee (also refer to board committees, page 80-81) was formed to supplement, support, advise and provide guidance on the effectiveness of management's efforts in the HSE arena. Its main duties are:

- to develop the framework, policies and guidelines for safety, health and environmental management;
- to review the policies and performance of the company, its divisions and its managed subsidiaries and the progressive implementation of its safety, health and environmental policies;
- to encourage independently managed subsidiaries, associates and significant investments to develop policies, guidelines and practices congruent with our safety, health and environmental policies;
- to monitor key indicators on accidents and incidents and, where appropriate, ensure that they are communicated to other companies managed by or associated with the company;
- to consider material national and international regulatory and technical developments in the fields of safety, health and environmental management; and
- to facilitate participation, co-operation and consultation on safety, health and environmental matters with government, industry, national and international organisations and safety, health and environmental institutions.

We believe that the appointment of the HSE audit committee has had a positive effect on the management and monitoring of HSE matters. Continued improvements are being made to ensure that HSE is effectively managed and that the business remains sustainable.

Our responsibility to our workers - safety and health

South Africa's Mine Health and Safety Act prescribes general and specific duties for employers and others, determines penalties and a system of administrative fines, and provides for employee participation by requiring the appointment of health and safety representatives, as well as through the establishment of health and safety committees. It also entrenches the right of employees to refuse dangerous work. Finally, it describes the powers and functions of a mine health and safety inspectorate and the process of enforcement.

We believe that these Safe Production Programmes are sustainable and will impact positively by reducing substandard acts. We have developed a Risk Management System (RMS) using the Mine Health and Safety Act and other applicable regulatory requirements as the foundation. It consists of 15 modules, which includes all activities and disciplines on the mine. The system is geared towards proactively eliminating, mitigating or controlling risk at source.

The RMS is also integrated into our "Laduma" team-building concept, whereby individuals are encouraged to work as a team to achieve their set objectives. Linked with Laduma is the "Nyakaza" campaign, focusing on stopping unsafe acts and conditions before they occur and rectifying them immediately. The RMS provides each supervisor and employee with a risk assessment tool for continuous risk assessments in his/her working place. It is regularly revised and refined.

Our Healthy Living Campaign

During the course of the year Harmony embarked on its Healthy Living for Life campaign which aims to ensure the well-being of our workforce. We provide quality health care, equivalent to private hospital standards, to all employees. The facilities range from 24-hour emergency care and intensive care units to world-class surgical theatres and outpatient facilities.

Education in all health matters, as well as continuing medical surveillance, is the bedrock of our approach. During the period under review 45 780 medical surveillance examinations were performed on an estimated population of 42 320. Where there was a need for a special examination, some workers may have had more than one examination per year.

HIV/AIDS

Harmony has declared war on HIV/AIDS! The HIV/AIDS infection rate among our South African workforce is currently estimated at approximately 28%, a figure we believe is consistent with the overall infection rate in the country.

In order to minimise the effect of HIV/AIDS on our people and our business we actively pursue HIV/AIDS awareness campaigns with our South African workforce. Medical assistance and compassionate separation packages for employees who decide to leave their place of work and return home for care are provided to HIV-positive employees.

On 19 September 2002, Harmony, the National Union of Mineworkers (NUM) and the United Association of South Africa (UASA) entered into an historical agreement whereby the stakeholders undertook to develop and maintain programmes to reverse the impact of HIV/AIDS.

Our objectives are:

- to reduce the number of infections among employees and consequently their families and communities;
- to ensure that the rights of employees living with HIV/AIDS are upheld and comply with existing legislation;
- to create a conducive environment in the workplace for dealing with the epidemic constructively; and
- to implement HIV/AIDS programmes.

The activities on which we have subsequently embarked are:

- focusing on prevention;
- ongoing counselling;
- appointment of a group HIV/AIDS co-ordinator; and
- access to medical facilities and adequate medical care.

Progress is monitored and reviewed on a monthly basis. The objectives set out above form part of our strategic plan to fight HIV/AIDS and financial provision has been made to achieve these goals. We estimate that it will cost Harmony approximately R1 000 per mineworker per month for its anti-retroviral treatment programme (ART) or an estimated R600 000 a month in total. We currently spend R3.8 million per month on AIDS-related illnesses, which results in a cost of \$2 per ounce produced. We believe that this amount will decrease marginally with the introduction of the ART programme. In addition to HIV/AIDS treatment, Phakamisa, a company developed and sponsored multivitamin tablet is available to our workforce.

HIV/AIDS structures have been formed at shaft operational and corporate level to facilitate participation. Our community-based interventions are world-class and world-renowned. The Lesedi Project has produced two publications in scientific research journals and we are actively involved with organisations such as UNAIDS/USAID, the SAIMR and the West Rand HIV/AIDS Council. Voluntary counselling sessions and testing programmes are publicised and promoted by way of induction programs, medical staff, peer group educators and health campaigns. Our HIV/AIDS policy is communicated through management and union communication systems to ensure awareness amongst our employees.

We have declared war against HIV/AIDS!



Occupational Health

Tuberculosis and silicosis

Long-term exposure to silica dust underground is known to cause silicosis. Silica dust is also known to play a major role in the development of pulmonary tuberculosis, which promotes the development of other diseases that occur less frequently. Occupational Health Centres at all our operations have medical surveillance programmes that are dedicated to detect and treat pulmonary tuberculosis and silicosis at an early stage of the diseases.

All our underground workers undergo annual examinations to ensure that the diseases are diagnosed at an early stage. If diagnosed with either tuberculosis or silicosis, or a combination of the two, the worker's details are submitted to the Medical Bureau for Occupational Diseases (MBOD) in Johannesburg. The MBOD is then responsible for certification and compensation of these workers under the Occupational Diseases in Mines and Works Act, 1973. Affected workers may decide whether to continue underground work or be removed to surface work, thus avoiding further exposure to the silica dust. The decision would be dependent on the degree of the disease and the degree of physical impairment sustained by the worker.

The number of occupational lung diseases certified by the MBOD in respect of our workers during the year declined from 1 133 to 698 cases. This lowered the incidence rate in our workforce from 2 838 per 100 000 workers to 1 940 per 100 000. We are pleased to report that the number of silicosis cases has been reduced substantially. This year only 111 cases were reported in comparison to the 228 cases in the previous year. The total number of all occupational lung disease cases submitted by Harmony to the MBOD for certification and compensation, also declined from 1 492 cases in the previous year to 1 106 during this year.

However, the current HIV/AIDS epidemic had a negative impact on the total number of cases of tuberculosis diagnosed at our hospitals, increasing to 1 199 cases from 1 126 cases.

Noise-Induced Hearing Losses (NIHL)

Noise-induced hearing loss remains one of our most serious occupational hazards. A total of 667 claims were submitted to the Rand Mutual Assurance Company on behalf of affected employees. This is less than the 745 claims for the previous year, with 429 employees being compensated compared to the 338 of the previous year.

The office of the Compensation Commissioner introduced new legislation concerning hearing loss calculation in 2001. This will enable employers to calculate the hearing loss that the individual suffers whilst in his employ and make the employer only liable for the compensation for that portion of any hearing loss suffered. We are well on the way to assigning a baseline value by means of an audiogram for each employee exposed to noise. This baseline value will be used to calculate compensation for any future claims.

Radiation Exposure

Radiation exposure measurements in the mining industry in South Africa only became mandatory 13 years ago. All shafts that were in existence before 1990 were not designed to cater specifically for radiation exposures. Radiation in our mines is associated with the mining of uranium-bearing orebodies. Ionising radiation occurs from the radioactive disintegrations associated with the decay of the primary elements uranium and thorium. Hazard and Risk Assessments have shown that the predominant radiation exposure pathway is inhalation of radon progeny.

The National Nuclear Regulator (NNR) has issued nuclear licenses to all Harmony's operations. Exposure to the public is controlled in accordance with the license

conditions. Public Hazard Assessments have been completed and an ongoing programme for dust, radon and water is in place at all our operations.

Adequate ventilation is critical to the control of radon in underground workplaces as it is the only practical means of limiting the build-up of radon gas and radon progeny. At Harmony radiation exposure is monitored in terms of a Radiation Protection Programme as required by the mine-specific Nuclear Authorisation, issued by the National Nuclear Regulator.

Radiation exposures in our mines vary from region to region, due to the mining infrastructure constraints and the uranium content or ore being mined. Generally, radiation exposures are below the dose limit, except at our Randfontein operations, where in some isolated workings, the annual dose limit is being exceeded. To ensure that the problem is resolved, a Radiation Working group has been established. In addition to the implementation of regulatory radiation protection programs, they focus on the remediation of potential over-exposures.

Cyanide exposure

We have compiled and implemented a Code of Practice for the Safe Handling of Cyanide at all of our operations' metallurgical plants. The Code of Practice was compiled in accordance with the Chamber of Mines guideline, prepared by a multi-stakeholder committee consisting of representatives of the mining industry, government departments, NGOs, labour and cyanide suppliers. The said guideline, and hence our Code of Practice, was designed around best practice principles and includes the latest operational expertise and application of technology for the management of cyanide. It includes guidelines for the management of the impact on the environment. All our operations are audited annually for compliance in terms of ISO14000. On-site provision of emergency equipment,

medicine and First Aid training are provided at each metallurgical site. Medical staff who are stationed at our hospital emergency departments have also been trained in the treatment of victims of cyanide exposure. No serious incidents were reported during the year.

In conclusion

Our Healthy Workforce Committee's objective is to deliver services and interventions that directly affect the quality of life of our workforce which in turn will ensure productivity at Harmony. Significant interventions include peer education programmes at the shafts, education at induction and awareness centres, graffiti walls, health advice via e-mail, community preventative programmes, condom

promotion and supply, home-based care, TB interventions and the Anti-Retroviral Treatment (ART) programme.

4.4 HUMAN CAPITAL

Employment equity

Harmony supports employment equity in the workplace which seeks to identify, develop and promote each employee who demonstrates the qualities of individual initiative, enterprise, hard work and loyalty in their job.

Our employees have the right to work in an environment which is free from any form of discrimination, directly or indirectly on any arbitrary ground, including, but not limited to race, gender, sex, ethnic or social origin, HIV/AIDS status, colour, sexual orientation, age, disability, religion, conscience, belief, political opinion, culture, language, marital status or family responsibility.

We believe that employment equity is not merely about meeting targets, but about how we optimally engage employees in our changing business environment. Flatter structures, with appropriate decision-making empowerment, are in place throughout the company. The majority of our miners are historically disadvantaged and good progress is being made with advancing this group into line management positions.

The "Scorecard for the Broad Based Socio-Economic Empowerment Charter for the South African Mining Industry" (Mining Charter) sets specific targets with regards to the employment of Historically Disadvantaged Individuals (HDIs). Harmony has in place a number of training programmes, career development plans and employment equity initiatives to reach these targets.

It is our business objective to have 45% previously disadvantaged individuals (PDIs) in management positions by 2007 and 10% women in mining by the same date. We are

Company Total

| LEVEL | TOTAL | * PDI EMPLOYEES | PDI WOMEN | % OF PDI |
|------------------------|--------|-----------------|-----------|----------|
| Board | 19 | 9 | 3 | 47 |
| Executive | 30 | 12 | 5 | 40 |
| Managers | 101 | 17 | 2 | 17 |
| Technical Professional | 3 017 | 1 462 | 391 | 48 |
| Supervisory | 5 165 | 4 875 | 53 | 94 |
| Clerical | 862 | 845 | 322 | 98 |
| Operator | 14 115 | 13 786 | 131 | 98 |
| Elementary | 10 192 | 10 170 | 283 | 99 |
| Total | 33 485 | 31 166 | 1 188 | 90 |
| % of Total | 100 | 90 | 4% | 631 |

* PDI - Previously Disadvantaged Individuals

table 1

Snapshot of mining

| LEVEL | TOTAL EMPLOYEES | DESIGNATED EMPLOYEES | WOMEN | % OF PDI |
|----------------|-----------------|----------------------|-------|----------|
| Mine managers | 31 | 5 | 1 | 16% |
| Mine overseers | 170 | 47 | 0 | 28% |
| Coaches | 513 | 129 | 0 | 25% |
| Miners | 1 217 | 945 | 0 | 78% |

table 2



aiming to reach these targets within four years. We intend to demonstrate to both our shareholders and our stakeholders that we are committed to surpassing the objectives set by the Department of Minerals and Energy, and we are well on our way to achieving this goal. The challenge is to ensure that our affirmative action programmes result in sustainable employment equity in a company that is truly South African and internationally competitive.

For the past financial year, employment equity figures for the total company are as follows: **see table 1 and 2.**

Training and Development

Sustained value creation is synonymous with continuous improvement where people live up to their potential and aspire to achieve their dreams within the Harmony context. Training and people development has been integrated into our core business processes which focuses on providing skills and proficiency designed to reinforce employee performance. Management is committed to creating an enabled working environment where individuals and production teams are empowered. To this end training and people development has become a core competence and responsibility of our line managers.

Our leadership and teamwork development interventions have been designed and implemented to reinforce the building of organisational behaviour where technically skilled employees, who think pro-actively, will excel. We have focused on coaching, team development and communication skills. A Business Leader Development Programme is being developed for senior management in partnership with one of the leading South African universities, to empower our managers to lead the drive for value creation.

We are implementing a Performance Management System that focuses on the leader's role to develop people to their full

potential. This system complements our drive to have self-motivated people who take ownership of their results and growth paths. In addition, transformation of our organisational culture is enhanced and our talent management programmes are better supported.

Our Adult Basic Education Training (ABET) Programmes are a prerequisite for attendance at our mining school. Miners Skills Training is aimed at ensuring that team leaders and high-potential stoping and development workers can obtain a blasting certificate. This is the entry level course into junior management. The Advanced Miner Course is aimed at providing miners with more advanced mining and management skills. Coach Development and Mine Overseer Development Programmes have also been introduced and have proven to be very successful in assisting with the culture change under way in Harmony.

Our Bridging School and Bursary Scheme is establishing a sound base for core business-related tertiary studies. We assist less privileged students, as well as our employees, who show promise with bursaries to study full-time at tertiary institutions.

All our training and development programmes are integrated into our talent management process, ensuring that the talent identified is sponsored, coached and mentored with the aim of developing a sound skills base for our succession strategy.

Housing

Our social investment creates affordable quality housing for our employees and the wider community. This is the outcome of a partnership between Harmony, the National Union of Mineworkers (NUM) and the provincial government of the Free State Province.

We have to consider the legacy we leave behind when we close down an operation. We need to move the community beyond its dependency on the mine.



“Harmony is the best bucket to pick up water if you want to drink.”

TEN PEOPLE. ONE STORY.

Name
Fernando Cossa
Time at Harmony
29 years
Works at
Evander 5 Shaft
Started as
General Team
Attendant
Position today
Probation Mine
Overseer

People blame others for what they don't have – their parents – the company. Rather stand up – do something – come with something in your hand.

I need to perform – to push myself – to push my child to have a better life in the future. I forced myself to get educated. To say I have a matric is nothing, but it shows people that I have drive. I'm the one who did this – it comes from the inside.

I started as a sweeper – today I'm a mine overseer. I feel proud about what I've achieved.

The old management system was shouting – not about asking you what you think we can do. There was no communication. As team leaders we said, "let them shout, they pass." And then we carried on working to our own plans. The thing that wasn't good was that we were not sure what we were doing. But because of our coaching methods today, I know how to manage people softly and get them to give their best.

Harmony is the best bucket to pick up water if you want to drink. Previously – before Harmony – the mine was running down and there were retrenchments. Harmony came with a reserve tank and we were back on the road. Harmony took us to a full tank. We can take the distance now.

My chief safety officer certificate is from Harmony's hand. If I'm a good performer I know there can be more opportunity. I'm gaining good experience for the rest of my life.

4.5 OUR IMPACT ON THE COMMUNITY

Social Plan

The Social Plan forms part of the Minerals and Petroleum Resources Development Act, 2002. The Social Plan, which emphasises the tripartite relationship between government, the company and the respective unions, calls for stakeholders to be proactive in devising strategies to deal with skills development of current employees, retraining of employees to be retrenched, and the redeployment of employees to their communities in a manner that achieves social upliftment. Mining licences will not be renewed or granted to mining companies that do not adhere to the requirements of the said Act. The social plan addresses the reality that all mines are finite in life and leave an impact, positive or negative, long after they cease operations.

We see the implementation of a well-designed Social Plan as an opportunity to contribute to the alleviation of the social and economic impact on individuals and the economies of the regions in which we operate. In addition, we will re-align our procurement activities to allow for broader participation of new entrants into the economy. We further promote and support economic activities in and around mining communities that will ensure sustainability of those regional economies beyond mine closure.

On 19 March 2003, Harmony and the National Union of Mineworkers (NUM) signed an agreement on the company's Social Plan Framework. We are the first South African mining company to sign an agreement of this nature. As soon as legislation is finalised, the company will establish a Social Plan Fund with an initial contribution of R15 million, and an undertaking to contribute a further R35 million over a 10-year period.

The agreement calls for the establishment of Future Forums at all our operations. The forums will liaise with both local and national government to formulate and implement integrated development

plans for the communities surrounding our operations. Areas from which our labour is sourced will be included in the plans.

We have also pledged our commitment to the development of our workforce and to the necessary skills transfer processes, as per the Social Plan requirements. We also actively participate in a management/labour partnership which incorporates strong community involvement.

In the Free State we have utilised some of our redundant hostel facilities and converted them into a newly established Harmony National Sports Academy earlier this year. The purpose of the Academy is to benefit young talented athletes from mainly historically disadvantaged communities in the area. Regional and national sports bodies, the Sports Trust, as well as the government are involved in this project.

Harmony has a number of running clubs in seven of the road-running regions of South Africa which now have over 1 000 members. Road-running is seen as a sport through which we can build relationships between individuals and communities in South Africa. The aim is to encourage, motivate and train young, upcoming athletes from all walks of life.

Harmony has been an official sponsor of the Comrades Marathon since April 2000. All the medals and statuettes have been masterly designed and manufactured by Harmony, in South Africa. The range of investment bars and coins to commemorate the running of the Comrades Marathon in a particular year is also showcased at the event.

During May 2003, ARMgold and Harmony hosted King Letsie III of Lesotho, at the company's flagship operations, Free Gold. The event was graced by dignitaries such as the Minister of Minerals and Energy, Ms Phumzile Mlambo-Ngcuka, the Premier of Free State Province, Ms Winkie Direko and various executive mayors. At the event, ARMgold and Harmony announced a grant of R1 million towards education in Lesotho

through the Royal Education Fund.

The Ikaheng Development Centre is a small Black Economic Empowerment business that supplies chicken to our hostels. We provided half of the land to the project and assisted with water reticulation and a low interest loan of R50 000. We also assisted in drawing up the Centre's business plan and have committed ourselves to provide ongoing business support. We believe that this project could lead to the establishment of similar community business centres being established at all the mines.

4.6 OUR IMPACT ON SOCIETY

Black Economic Empowerment

Harmony is committed to the economic development of South Africa and its people. We continually strive to facilitate participation by historically disadvantaged South Africans in the mining industry.

Whilst the Mining Charter has its primary focus on creating opportunities for new entrants in the mining sector, it also requires mining companies to determine mechanisms to assist with alleviating poverty in the regions in which they operate.

After the merger with ARMgold we now comfortably comply with the five-year requirement of 15% of our company being owned by Historically Disadvantaged South Africans.

We have re-assessed our policy regarding preferential procurement from empowered suppliers. We have introduced and implemented a Black Economic Empowerment Policy to promote entrepreneurship in local communities and give emerging businesses access to mainstream business opportunities in the mining industry. We concentrate our empowerment efforts on suppliers of goods and services in the manufacturing, construction and mining/extraction sectors of the economy as well as on professional consulting services. Currently, 12% of our



suppliers are empowered companies and 22% of our service agreements are BEE-compliant. We will continue to increase this during the next year.

Application of BEE initiatives and beneficiation

Beneficiation

The Mining Charter also requires mining companies to beneficiate the commodities they produce and to allow for broader participation by previously disadvantaged individuals in these activities.

Musuku Beneficiation Project - based at Harmony's Virginia Refinery

The project has been made possible by Harmony and mineral and metallurgy specialist Mintek. We have been working with BAE Systems for more than three years to develop and implement a gold beneficiation strategy to add value to the raw gold in South Africa while creating jobs and developing skills. The strategy is part of positioning Harmony as an innovative gold producer in the global precious metals industry and fulfilling its obligation in terms of the Mining Charter. We are the only South African gold producer to refine and market our own gold. Our Virginia refinery can produce in excess of 100 tonnes of refined gold per annum. A 20% equity share of the project has been reserved for an empowerment partner and discussions with a potential associate are currently under way with an interested party.

Matjhabeng Project

Matjhabeng, situated in the Free State Province, is one of government's identified poverty nodes. Following significant down-scaling of mining in the Free State goldfields, there is an urgent need for the regeneration of the economy and the Minerals and Petroleum Resources Development Act establishes a framework for meaningful participation by Harmony.

We have elected to play an anchor role to ensure that the Free State goldfields become a major beneficiation centre. Both Harmony and the government are committed to enabling the establishment of a beneficiation hub in Matjhabeng which will result in sustainable job creation, skills development and transfer, empowerment of local communities and poverty alleviation.

South African Royal Manufacturers (SARM)

During March 2003 a R20 million gold rope chain production facility was inaugurated in the Free State. The South African Royal Manufacturers (SARM) plant is a joint effort involving Harmony, BAE Systems-Saab, South Africa's Industrial Development Corporation (IDC), and the Department of Trade and Industry (DTI). We provide gold wire and strip produced at our refinery and the beneficiation facility to the factory, as well as the building and housing in support of the new business. The factory employs 700 people and is an anchor project in the integrated approach of government, the gold-mining sector and other stakeholders.

Harmony Jewellery School

In addition to the RSAM project, we have utilised foreign expertise and a local training programme to establish a range of profitable and pioneering jewellery ventures. These have created new jobs in a region where job losses were the norm.

The Harmony Jewellery School has been operating successfully since September 2000. Emthuthwini Jewellery Manufacturer uses local African design artists with little formal training to produce jewellery for the export market.

4.7 ENVIRONMENTAL SUSTAINABILITY

Harmony endeavours to minimise the immediate longer-term impact its operations have on the environment. We are endeavouring to act responsibly as far as remediation of the environmental impact resulting from mining activities is concerned. In order to implement our policy, we commit to the following:

- to conduct environmental impact assessments when establishing new operations;
- to monitor and audit environmental progress;
- to adopt the best affordable technology to limit the impact on the environment and minimise waste;
- to interact with all relevant authorities and all interested and affected parties; and
- to conform to environmental, health and safety legislation.

We have integrated pollution control, waste management and rehabilitation activities into our operating procedures. Each of our regions has a person dedicated to environmental matters who, in addition to overseeing the implementation of the environmental management programmes, monitors the impact of the mining activities on the environment.

Based on current environmental and regulatory requirements, we accrue for the estimated rehabilitation expense when mining commences and then amortise these environmental rehabilitation costs over the operating life of a mine. We also make annual contributions to environmental trust funds created in accordance with South African statutory requirements, to provide for the estimated cost of pollution control and rehabilitation during and at the end of the life of a mine. Estimates of the ultimate rehabilitation liability are subject to change as a result of future changes in regulations or cost estimates as well as to changes to the estimated life of mine.

Environmental Management Programme Reports (EMPR)

Pursuant to South African law, mine properties must be rehabilitated upon closure. We are required by law to submit Environmental Management Programme Reports, or EMPRs, to the Department of Minerals and Energy. EMPRs identify specific rehabilitation issues for a mine and must also be approved by other South African government departments including, but not restricted to, the Department of Water Affairs and Forestry.

South African Operations

EMPRs have been prepared and submitted for all of Harmony's South African operations that have permanent mining authorisations. With the exception of the Kalgold EMPR, these EMPRs have been approved. The Kalgold EMPR is in the process of being approved. The process of preparing and submitting EMPRs has strengthened the mutual co-operation and information sharing between us and the relevant government departments. We have, and will continue to meet, with the relevant government departments on a regular basis to continue the process and to ensure that the environmental impact of Harmony's mining operations are managed and monitored in accordance with applicable regulatory requirements and industry standards.

Bissett Operations

Harmony's Bissett operations in Canada operate pursuant to a mining lease and an environmental licence. While the licence has no term, it may be revoked, temporarily or permanently, should Bissett fail to comply with the terms of the licence, which include maintaining the facility. We do comply with the terms of the licence. The lease, however, has a term of 21 years, commencing 1 April 1992.



Australian Operations

Our Australian operations must comply with mining lease tenement conditions set by the Department of Minerals and Energy, the Mining Act (1978), the Department of Environmental Protection's operating licences, and water abstraction licenses issued by the Water and Rivers commission for each of its sites. The operations must also comply with numerous environmental acts and bills. As a result, we must make provisions for mining rehabilitation whenever mining commences at a new site in Australia. While we believe that our current provision for compliance with such requirements is reasonable, any future changes and development in Australian environmental laws and regulations may affect our Australian operations.

In Western Australia, under the Mining Act (1978), all tenements are covered by environmental performance bonds that cannot be relinquished or completed without the approval of the Australian Department of Mineral Resources. These are re-assessed on an annual basis following the issuing of an annual environmental report and generally are audited by the regional inspector. As areas are successfully rehabilitated and approval is obtained, the bond requirement is reduced, and as greater areas are disturbed, the bond requirement increases. Any new aspects of the operation are also assessed and the bond is established prior to approval and subsequent commencement of operations.

Audits are generally conducted on a bi-annual basis by the Australian Department of Environmental Protection to determine compliance with the relevant operating licence(s). There are no outstanding major non-compliance issues, neither against New Hampton's licence nor Hill 50's.

Bendigo operates tenements granted under the Victorian Mineral Resources Development Act (1990), administered by the Department of Natural Resources and

Environment. Operations that involve a deliberate discharge to the environment are subject to the Victorian Environment Protection Authority. Conditions attached to approvals include requirements for environmental management, monitoring and protection. While Bendigo has made allowances for the expected costs of complying with these conditions, any future changes and development in Australian environmental laws and regulations may affect these costs.

Water pollution

The primary environmental focus at most of our operations is water management with the objective to ensure that it is of a quality fit for use by downstream users.

All water uses are now being licenced, and we have submitted water-use registrations as required by the National Water Act of 1998. We have also developed water management plans for all of our South African operations.

Air pollution

An environmental surveillance system has been implemented at slimes dams at our operations to monitor dust generation and fall-out in residential and other areas. This will assist in future dust suppression and the design and measurement of rehabilitation programmes.

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DIRECTORS' REPORT

SECTION 5

CORPORATE GOVERNANCE

IN OTHER WORDS

In as much as the worldwide move towards stricter governance and more transparency is laudable, it can never substitute for honesty, fairness and responsibility in how we do our business. We have a strong independent board and a very good mix of experience and youth at executive level.

We endeavour to comply, not only with the letter of governance guidelines, but also with the spirit they contain.

DIRECTORATE





PIETER TALJAARD ▶

◀ DAN SIMELANE

ANDRÉ WILKENS ▶



MIKE FLEMING ▶

▶ SIMO LUSHABA

FRANK ABBOTT ▶



◀ NOLITHA FAKUDE

◀ SIBUSISO SIBISI

MICHAEL KING ▶

REJOICE SIMELANE ▶

MANANA BAKANE-TUANE ▶

5.1 HARMONY DIRECTORATE

Board of Directors

PATRICE MOTSEPE (41)

Non-executive Chairman

BA - Legal, LLB

Patrice Motsepe was a partner specialising in mining and business law at Bowman Gilfillan Inc, a South African law firm. He also spent approximately ten months with McGuire Woods LLP, a law firm in Richmond, Virginia, USA and thereafter, he was employed as their legal consultant in South Africa. In 1994, he founded Future Mining (Proprietary) Limited which grew rapidly to become a competitive contract mining company. He was senior vice-president of the Chamber of Mines and is a "Global Leader of Tomorrow" as designated by the World Economic Forum (WEF) and is a member of NEDLAC.

BERNARD SWANEPOEL (42)

Chief Executive

BSc - Mining Engineering, BCom (Hons)

Bernard Swanepoel started his career in gold mining at Grootvlei in 1983. He spent time on various Gengold operations including Kinross (Evander) and Barberton. He then moved into senior management with the Gengold group, culminating in his appointment as general manager and a director of Beatrix Mines in 1993. He joined Randgold in 1995 as managing director of Harmony and has led the team responsible for making the company the fifth largest independent gold producer in the world.

DR. MANANA BAKANE-TUOANE (55)

Non-executive Director

PhD, BA, MA

Dr. Bakane-Tuoane has extensive experience in the economic disciplines as lecturer and professor at the University of Fort Hare, Eastern Cape. She has held various senior management positions in the public service and currently holds the post of director general in the North-West Provincial Government. Dr. Bakane-Tuoane was appointed to the Advisory board of the African Economic Research Consortium, Nairobi, Kenya, in 2000.

NOLITHA FAKUDE (39)

Non-executive Director

BA, BA (Hons)

Nolitha Fakude is the managing director of the Black Management Forum (BMF). Her role involves stakeholder management, policy formulation and advocacy work on issues of Black Economic Empowerment and organisational transformation.

Nolitha was a group human resources manager for retail at Woolworths, as well as head of corporate affairs, which included, amongst others, Communication and Community Affairs. She serves on various boards including, BMF Investment Company, Harmony, The People's Bank, Business Partners as well as the Wheat Trust. Nolitha was recently appointed by the Gauteng MEC for Economic Affairs as one of the Rainmakers for the Blue IQ project.

MICHAEL KING (66)

Non-executive Director

CA (SA), FCA

Michael King served articles with Deloitte, Plender, Griffiths, Annan & Co. (now Deloitte & Touche) and qualified as a Chartered Accountant (SA). He later became a Fellow of the Institute of Chartered Accountants in England and Wales (FCA).

He joined Anglo American Corporation of South Africa as a manager in the finance division. In 1979, he became director of Anglo American Corporation and in 1980 an executive director and head of its finance division. In 1997, he was appointed executive deputy chairman of Anglo American Corporation. He was the executive vice-chairman of Anglo American plc, in May 1999, until his retirement in May 2001.

SIMO LUSHABA (37)

Non-executive Director

BSc (Hons), MBA

Simo Lushaba started his career at the University of Zululand in 1988 as a research technician. In 1990 he joined South African Breweries and two years later National Sorghum Breweries where he served as divisional executive. In 1995 Simo was appointed by Spoornet. He served the company for the next seven years in various managerial positions and ultimately as the general manager for Rail and Terminal Services.



In April 2002, Simo was brought into Rand Water as chief executive drive both business and social transformation in the organisation which included internal restructuring, focusing on creating a customer driven organisation, as well as new business opportunities both in South Africa and internationally. Simo also serves as non-executive chairman of PIKITUP Johannesburg (Pty) Ltd and as a non-executive director of Trans-Caledon Tunnel Agency (TCTA).

MIKE PLEMING (67)
Non-executive Director
Pr Eng FIMM

Mike Fleming started his career in mining engineering on the Zambian Copperbelt. He joined Trans Natal (now Ingwe) in 1975 as general manager, Optimum Collieries and was later appointed project manager and consulting engineer. He joined Liberty Asset Management in 1982 where he was responsible for mining investment research. He retired in 1995 and has since then undertaken a series of mining investment related assignments. Following Harmony's acquisition of Evander in 1998, he joined the company as a non-executive director. He is also a director Impala Platinum Holdings Limited. Mike also serves as a non-executive director of Highland Gold Limited.

LORD RENWICK OF CLIFTON KCMG (65)
Non-executive Director

Having formerly served as British Ambassador to South Africa and the United States, Lord Renwick is vice-

chairman, Investment Banking of JPMorgan plc. He is also chairman of Fluor Ltd and serves on the boards of a number of other public companies including British Airways, SABMiller plc and Richemont.

CEDRIC SAVAGE (64)
Non-executive Director
BSc Eng, MBA, ISMP

Cedric Savage commenced his career in the United Kingdom in 1960 as a graduate engineer with Fairey Aviation and in 1963 returned to South Africa where he worked in the oil (Mobil), textile (Felt & Textiles) and the chicken (Rainbow Chickens Limited) industries. In 1993/1994, he was appointed president of the South African Chamber of Business. He has also served as chairman of the board of Governors on the Natal University Development Foundation and as a member of Council of the University of Natal. He joined the Tongaat-Hulett group in 1977 as managing director of Tongaat Foods and thereafter progressed to executive chairman of the Building Materials Division, chief executive officer of The Tongaat-Hulett group Limited in 1991 and in May 2000, he assumed the dual roles of chief executive officer and executive chairman.

DR. SIBUSISO SIBISI (48)
Non-executive Director
BSc (Hons), PhD

Dr. Sibisi's working career commenced in 1983 in the software development industry with MEDC Limited, Cambridge, UK. His career developed to that of Systems Engineer at IBM (SA), lecturer and senior

lecturer (Wits) and deputy vice-chancellor for research (University of Cape Town). He spent 1988 as a Fulbright Fellow at the California Institute of Technology where he collaborated with eminent researchers in computational chemistry and the development of associated medical diagnosis tools. In 1989, he took up a research position at Cambridge where he consolidated his academic research in mathematical modelling and computational simulations to environmental, geophysical and biomedical problems to develop solutions. This evolved to the formation of a start-up company dedicated to providing consulting services to Glaxo, Wellcome, Fisons, Shell and Mobil. He entered the corporate world in 1997 as executive director of Plessey (SA). As chairperson of the National Advisory Council on Innovations, he is involved in making recommendations on research and innovation policy to the government.

DR. REJOICE SIMELANE (51)
Non-executive Director
BCom, MCom, PhD

Dr. Simelane's career commenced as a lecturer at the University of Swaziland where she lectured from 1978 to 1997. She then joined the Department of Trade and Industry as a macro-economist and later joined the National Treasury as a micro-economist before joining the Premiers Office in the Mpumalanga Province as an Economic Advisor.

MAX SISULU (58)
Non-executive Director
MPA, MSc

Max Sisulu is the current deputy chief executive officer at Denel, a post he has held since November 1998. From 2001 to 2003 he was the chairperson of the South African Aerospace, Maritime and Defence Industries. He is also a council member of the Human Sciences Research Council and a member of the Premier of the Free State's Economic Advisory Council.

From 1977 to 1981 Max served as the ANC representative in Hungary. In January 1995 he was elected to the National Executive Committee and National Working Committee of the ANC. From 1986, he helped establish the ANC economics department and was instrumental in developing the ANC's economic policy. In 1990 he spearheaded the drafting of the ANC's first policy statement on the environment.

From 1992 to 1993 Max completed a Masters degree in Public Administration at the Kennedy School of Government at Harvard University in the United States. In September 1993 he took up the post of director of the National Institute of Economic Policy until he became a member of parliament in 1994.

FRANK ABBOTT (48)
Executive Director
BCom, CA (SA), MBL

Frank Abbott joined the Rand Mines/Barlow Rand group in 1981, where he obtained broad financial management experience at

operational level. He was appointed as financial controller to the newly formed Randgold in 1992 and was promoted to financial director of that group in October 1994. Until 1997, he was also a director of the gold mining companies Blyvooruitzicht, Buffelsfontein, Durban Roodepoort Deep and East Rand Proprietary Mines and a non-executive director of Harmony, which culminated in his appointment as financial director of Harmony in the same year.

FERDI DIPPENAAR (42)
Executive Director
BProc, BCom, MBA

Ferdi Dippenaar started his career at Buffelsfontein gold mine in 1983 and took his degrees through part-time study while employed in various financial and administrative capacities at Gengold mines. In 1996 he became managing director of Grootvlei and of East Rand Proprietary Mines. Following Harmony's acquisition of Grootvlei and Cons Modder, he was appointed marketing director of Harmony in 1997. He oversees Harmony's refinery and direct marketing activities, as well as the company's investor relations programme.

TED GROBICKI (54)
Executive Director
BSc (Hons), MSc, PrSciNat, FIMM

After fulfilling various roles within mining and exploration companies in South Africa, Namibia and Zimbabwe, Ted Grobicki was appointed chief executive of Texas Gulf Inc South Africa in 1979. He has since served at a senior executive level in a wide range

of public and private companies in the mining sector, and was appointed as non-executive director of Harmony in 1994. With Harmony's merger with Kalgold and West Rand Cons. in 1999, he was appointed as executive director focusing on new business. Ted has 30 years' experience in all aspects of the mining industry, including exploration, evaluation, development, mine management and financial and corporate management. He oversees Harmony's Australian operations.

MANGISI GULE (51)
Executive Director
BA, BA (Hons)

Mangisi Gule has 23 years' experience in training and human resources and is a member of the Association of Mine Human Resource Practitioners. He oversees the company's human resources and communication activities.

DAN SIMELANE (40)
Executive Director
BA, LLB, LLM

Dan Simelane has seven years' legal experience and acted as legal advisor to Avmin Limited and the Swaziland Electricity board. He has extensive tax experience and was a senior tax consultant with Arthur Andersen.

PIETER TALJAARD (54)
Executive Director
BCom, B Lur, ACMA

Pieter Taljaard has 33 years' experience in commerce, 25 of which have been in the mining industry. His mining career



commenced in 1977 with Gencor Limited ("Gencor"), where he worked as a senior manager in the finance department. He was subsequently appointed as a director/alternate director to a number of companies controlled by Gencor. He was instrumental in creating the tax structure between Buffelsfontein and Beatrix and formed part of a team that investigated and recommended future management information systems at Gengold Limited, subsidiary of Gencor. Pieter also chaired the committee responsible for implementing systems at Gengold. He joined ARMgold in 1997 as financial director.

ANDRÉ WILKENS (54)

Executive Director

RM, IIA, MDP

André Wilkens has 33 years' mining experience. He commenced his career in 1969 as a trainee miner. He was then promoted to mine manager at the Vaal Reefs West mine in 1994 and appointed mine manager of the Vaal Reefs South mine in 1996. Before joining ARMgold in 1998, he served as manager of North Operations (Vaal Reefs) and the managing director of Naledi Mining Services, then a wholly-owned subsidiary of Vaal Reefs. André has a successful mining and management track record of turning around marginal mines into profitable units. He also played a leading role in determining new operating methods for South African mines. André was appointed chief executive officer of African Rainbow Minerals Gold in 1998, a position he has held until the merger with Harmony.

EXECUTIVE MANAGEMENT





ABSENT BOB ATKINSON AND TED GROBICKI

5.2 HARMONY EXECUTIVE MANAGEMENT

| Name | Portfolio | Age | Qualifications |
|-------------------|-----------------------------------|-----|--------------------------------------|
| Frank Abbott | Financial Director | 48 | BCom, CA (SA), MBL |
| Vaughan Armstrong | Exploration | 49 | BSc (Hons), PhD |
| Bob Atkinson | Business Coaching | 51 | NHD, Mine Managers Certificate |
| Graham Briggs | Organic Growth | 50 | BSc (Hons), PrSciNat |
| Semie Danana | Safety Transformation | 45 | B. Journalism, BA (Hons), MBA |
| Ferdi Dippenaar | Marketing and Investor Relations | 42 | BProc, BCom, MBA |
| Lewies Fourie | Business Engineering | 54 | NHD, Mine Managers Certificate, MDP |
| Ted Grobicki | Australia | 54 | BSc (Hons), MSc, PrSciNat, FIMM |
| Mangisi Gule | External Liaison | 51 | BA (Hons) |
| Yusuf Jardien | Information Technology | 39 | ICSA, PMD |
| Tracey Jonkheid | Internal Strategy | 33 | BA Communication (Hons), MBA |
| Philip Kotze | Business Coaching | 43 | NHD, GDE, MDP, DPLR |
| Mohamed Madhi | Corporate Strategy | 38 | B.Eng, MSC.Eng, MBA |
| Jackie Mathebula | Employee Relations | 34 | B Admin (Hons), MBA |
| Andrew Matube | Legal | 57 | BA, LLB |
| Amanda Matthee | Finance | 44 | BCompt, BCom (Hons), CA(SA), AEP |
| Khetiwe McClain | Beneficiation and the Social Plan | 39 | BA Fine Arts |
| Peter McKenna | International New Business | 52 | BSc (Hons), PrSciNat |
| Dawie Mostert | Human Resources Manager | 34 | PDM, PCM, MDP, DPLR |
| Khosi Ndlovu | Corporate Affairs - Government | 44 | BA |
| Fleur Plimmer | Transformation Management | 34 | BA (Hons) |
| Pine Pienaar | SA New Business | 39 | BCom, BCompt, (Hons), CA (SA) |
| Dan Simelane | Business Development | 40 | BA, LLB, LLM |
| Peter Steenkamp | Business Coaching | 43 | BSc (Eng), Mine Managers Certificate |
| Frank Sullivan | HIV/AIDS and Health | 47 | MCom, EMP |
| Bernard Swanepoel | Chief Executive | 42 | BSc (Eng), BCom (Hons) |
| Boetie Swanepoel | Operational Finance | 42 | BCompt (Hons), CA (SA) |
| Pieter Taljaard | Executive Director, Finance | 54 | B Com, B Lur, ACMA |
| Abré van Vuuren | Human Resources Processes | 42 | BCom, MDP, DPLR |
| André Wilkens | Chief Operating Officer | 53 | RM, IIA, MDP |

SECTION 5

CORPORATE GOVERNANCE



5.3 INTRODUCTION

The King II Report (King II) became operative in March 2002 and goes beyond financial and regulatory aspects of corporate governance in that it advocates an integrated approach by including principles of sound social, ethical and environmental practice. This includes a shift in focus from the "single bottom line" i.e. financial, towards the "triple bottom line" approach, namely economic, social and environmental reporting. Furthermore, King II places major emphasis on enterprise risk management as the cornerstone of internal controls and, in directing its focus thereon, states that risk goes to the very essence of an organisation's ability to meet its objectives and sustain its existence.

The Harmony board of directors ("the board") are aware of all the onerous duties, responsibilities and personal liabilities which are imposed on them as directors under both common and statutory law, not only in South Africa, but also in the US, Australia and the UK, due to its operations in these countries and its listings in South Africa, London, Paris, Brussels, Berlin and New York. In addition to King II, the Sarbanes Oxley Act of 2002 ("SOx"), applicable to non-US companies which trade securities in the US, impose additional prohibitions and responsibilities on all directors within Harmony.

To ensure compliance with the numerous legal requirements and to show our commitment to Corporate Governance, we have adopted formal charters for the board and each of its committees to give clear guidance to all our board members and employees on how governance should be put into practice. These charters were compiled in a way which enables us to achieve a balance between performance and conformance of Corporate Governance principles. We aim to adhere to the provisions and recommendations of the King Report and therefore these charters will be reviewed, updated and maintained on an on-going basis.

In addition to acting in good faith and with due diligence and care, our board supervises and monitors management to ensure that good Corporate Governance is part of doing business the Harmony Way!

5.4 BOARD OF DIRECTORS

Board Structure

Harmony has a unitary board structure, comprising 19 directors, with a balance between executive and non-executive directors. We have ten independent non-executive directors, which includes our chairman. We have nine executive directors and no shadow directors. The non-executive and independent directors are of sufficient calibre and number for their views to carry significant weight in the board's decisions. In considering new appointments to the board, we have taken cognisance of the gender and racial mix and we believe that we have achieved an acceptable balance of members on our board.

The details of our directorate are set out on pages 69 to 72.

Chairman and Chief Executive

The roles of chairman and chief executive are not vested in the same person and their performances are subject to review by the Remuneration Committee at least once a year.

Board Charter

The board's fiduciary duties are incorporated in Harmony's Board Charter, which sets out the purpose and role of the board, its responsibilities, its authority, composition, meetings and self-assessment. The Board Charter stipulates that Harmony directors have to exercise leadership, enterprise, integrity and judgement based on fairness, accountability, responsibility and transparency.

The responsibility to ensure that we comply with all the relevant laws, regulations and codes of best business practice vests in our board. For this purpose the board has direct access to the advice and services of the company secretary and they are also entitled to seek independent professional legal advice about Harmony's affairs at the company's expense.

The board is also responsible for identifying the principal risks and key performance indicators of Harmony's businesses and ensuring the implementation and regular evaluation of systems to manage those risks through the Audit Committee. Strategies are developed

A close-up portrait of a Black woman with short, dark hair. She is wearing a vibrant red turtleneck scarf and large, gold-colored hoop earrings. She has a slight, thoughtful smile on her face, looking slightly to the right of the camera. The background is a plain, light color.

“One day I’m talking strategy with the exec and the next day I’m sitting with mineworkers discussing their sex issues.”

TEN PEOPLE. ONE STORY.

Name
Zandile Mokgatle
Time at Harmony
2 years
Works at
St. Albert Hospital
Started as
Doctor
Position today
Medical Officer
HIV Projects

My job is the most important in the company! Well, it's certainly the most exciting. One day I'm talking strategy with the exec and the next day I'm sitting with mineworkers discussing their sex issues. I bring stakeholders together – people with different agendas. We wouldn't be able to move without their buy-in.

A regular doctor wouldn't get to do the things I do. Everything I could have wanted has come together in this job – it's the perfect example of multi-skilling.

It's a job with huge responsibility. But it's not about me. It's about the HIV positive people who let you into their lives. Without these insights we wouldn't know what to prioritise. A doctor's responsibility is to find out what the patient expects – treatment is a mind-game – help is not help until it is perceived as such.

The residual problem with HIV/AIDS is that it's about things not normally discussed: sex issues. But it's a controllable chronic disease and that's what brings us to the Healthy Living campaign which is all about personal responsibility. I tell guys that the company can give you houses and a 5-star meal but at the end of the day we're all faced with choices. The laws of sex are not determined by the company.

If Harmony wasn't doing the right thing about HIV/AIDS I wouldn't be here. It's trailblazing stuff. And what makes it work is the accessibility and support of people who matter. As for me, there's ample opportunity to reach my full potential. But it's young days yet.

Meetings

| DIRECTOR | AUGUST 2002 | OCTOBER 2002 | JANUARY 2003 | APRIL 2003 |
|---------------------------------|----------------|-----------------|-----------------|---------------|
| A R Fleming (Chairman) | P | P | P | A |
| Z B Swanepoel | P | P | P | P |
| F Abbott | P | P | P | P |
| F Dippenaar | P | P | P | P |
| T S A Grobicki | P | P | P | P |
| T A Mokhobo | P | A | P | P |
| Lord Renwick of Clifton KCMG | P | P | P | P |
| M F Fleming | P | P | P | P |
| J G Smithies | P | P | P | P |
| V N Fakude* | - | P | P | P |
| D S Lushaba* | - | P | P | P** |

P Present

A Apology received

* Newly appointed on 14 October 2002

** Meeting chaired by DS Lushaba

table 1

in such a way that our purpose is achieved, our values implemented and our shareholders and other stakeholders are satisfied. The board also accepts responsibility for monitoring and supervising executive management and the induction of new or inexperienced directors. Our non-executive directors also have access to management should they wish to discuss any matter separate from the executive directors. An induction programme was presented for non-executive directors in early December 2002. We are dedicated to ensure that our directors are familiar with Harmony's operations, its business environment and their fiduciary duties and responsibilities.

Internal control

The board is ultimately responsible for ensuring that Harmony remains a going concern and that it thrives. The board retains full and effective control over Harmony by monitoring and supervising its executive management, being involved in all material decisions affecting Harmony and ensuring that adequate systems of financial and operational internal controls are monitored. The procedures and systems which act as checks and balances on the information are reviewed by the board from time to time. An adequate budgeting and planning process exists and performance is monitored against these budgets and plans.

Self-assessment

The board conducts a self-assessment or self-evaluation annually. The chairman assesses the performance of the individual board members and the members evaluate the chairman, based on several factors, which include expertise, inquiring attitude, objectivity and independence, judgement, understanding of Harmony's business, understanding and commitment to the board's duties and responsibilities, willingness to devote the time needed to prepare for and participate in committee deliberations, timely responses and attendance at meetings.

In keeping with good corporate governance, the board has agreed that a Nomination Committee should assist in the

evaluation of the board members. No members have been appointed to the Nomination Committee as yet, but nominations will be submitted to the board once the new Harmony board has been elected.

Meetings

The board meets at least four times a year. The number of meetings held during a period is sufficient to ensure that the board meets its objectives, and all members are required to attend all meetings. Dates of meeting are planned annually in advance.

Table 1 gives an indication of our directors' commitment to attend board meetings.

Directors' terms of employment

Executive Directors

Our executive directors have standard employee service agreements, and none of our executive directors may give notice of less than one month. Their employment letters also do not make provision for pre-determining compensation on termination of an amount which equals or exceeds one year's salary and benefits in kind. The executive directors have waived their rights to directors' fees. Executive directors participate in the company's share scheme and a discretionary Executive Profit Share Scheme, provided that in respect of the latter, certain profit targets (set by the Remuneration Committee) are achieved. The executive directors also benefit from pension contributions, life insurance and medical aid, the value of which is included under the remuneration details on pages 97 to 98 or under "Directors' Report".

The number of share options held by the executive directors during the financial year are detailed in the Director's Report on pages 97 to 98.

Non-executive Directors

None of the non-executive directors have service contracts with Harmony. The non-executive directors are entitled to fees as agreed at Harmony's annual general meeting, reimbursement of out-of-pocket expenses incurred on the company's behalf, and remuneration for other



services, such as serving on committees. Currently, each non-executive director is entitled to R25 000 per quarter.

To our knowledge, none of the company's directors, or their families, had any interest, direct or indirect, in any transaction during the last financial year or in any proposed transaction with any company in the Harmony group which has affected or will materially affect the company or its investment interests or subsidiaries.

Rotation

The Articles of Association of Harmony provide that the longest serving one-third of directors retire from office at each annual general meeting. Retiring directors making themselves available for re-election are re-elected at the annual general meeting at which they retire.

5.5 BOARD COMMITTEES

To enable the board to properly discharge its onerous responsibilities and duties, certain responsibilities have been delegated to board committees. The creation of committees does not, however, reduce our board's overall responsibility and therefore all committees must report and make recommendations to the board. All our board committees are chaired by an independent non-executive director.

The various board committees are as follow:

Audit Committee

Harmony's Audit Committee provides additional assurance to the board regarding the quality and reliability of financial information used by the board and the financial statement issued by the company. The committee assists the board in the discharge of its responsibilities with regard to safeguarding our assets, maintenance of accounting records and maintenance of an effective system of control. An Audit Committee Charter has been established which sets out the role, responsibilities, duties, authority, membership and meetings of the Audit Committee. All non-audit services

provided by our external auditors must be, and are, pre-approved by the Audit Committee.

The Audit Committee meets periodically with Harmony's external and independent internal auditors and executive management to review accounting, auditing and financial reporting matters so as to ensure that an effective control environment is maintained. The committee also monitors proposed changes in accounting policy, reviews the internal audit function and discusses the accounting implications of major transactions. In terms of SOx the Audit Committee is directly responsible for the appointment, compensation and oversight of any auditor employed by the company.

All members of the committee are knowledgeable about company affairs and have a working familiarity with finance and accounting practices. Certain members of management also attend the Audit Committee meetings to answer any questions posed by members. The Audit Committee always has at least one financial expert present during meetings.

The members of the Audit Committee from 1 July 2002 to 25 January 2003 were: AR Fleming (chairman)* MF Fleming* JG Smithies*

**Independent non-executive*

These members attended the three meetings held in the first three quarters of the year. It was decided that Mr AR Fleming, in his capacity as chairman, effectively served on all board committees and that he should not hold a formal seat on any of the committees. Mr AR Fleming resigned as chairman of the Audit Committee on 25 January 2003 and Mr DS Lushaba accepted membership of the committee.

The members of the committee from 26 January 2003 to 30 June 2003 who attended the meeting that was held on 24 April 2003 are:

MF Fleming (chairman)* DS Lushaba * JG Smithies*

**Independent non-executive*

Nomination Committee

In terms of the requirements of King II, a Nomination Committee is required to ensure that the procedures for appointments to the board are formal and transparent, by making recommendations to the board on all new appointments. A Nomination Charter has already been drafted and will be reviewed and finalised once the members of the committee have been appointed. The committee will consist of at least three members, of which the majority will be non-executive. The Nomination Committee Charter which sets out the role and responsibilities of the Nomination Committee, has already been approved by the board, but will only be implemented in the next financial year.

Remuneration Committee

The Remuneration Committee meets at least once a year and comprises three independent non-executive directors. The primary purposes of the Remuneration Committee are to ensure that the group's directors and senior executives are fairly rewarded for their individual contributions to Harmony's overall performance, to demonstrate to all stakeholders that the remuneration of senior executive members are set by a committee of board members who have no personal interest in the outcomes of their decisions, and who will give due regard to the interests of the shareholders as well as the financial and commercial health of Harmony. The Remuneration Committee's primary objectives are to serve as a party to monitor and strengthen the objectivity and credibility of Harmony directors' and senior executives' remuneration system and to make recommendations to the board on remuneration packages and policies applicable to directors.

The committee meets whenever it is necessary to make recommendations relating to the remuneration of senior executives and executive directors. Only one meeting was held during the first quarter of the 2003 financial year, during which all the members were present. A Remuneration Committee Charter has been adopted which sets out the objectives, role, responsibilities, authority, membership and

meeting requirements of the committee.

The members of the committee are:

AR Fleming (chairman)*

JG Smithies*

MF Fleming*

**Independent non-executive*

Health, Safety and the Environmental Audit Committee

The Health, Safety and Environmental Audit Committee (HSE) monitors health, safety and environmental performance and makes recommendations to the board where it deems particular attention is required. The committee operates in accordance with specific terms of reference confirmed by the board. The committee meets periodically and comprises three independent non-executive directors.

The members from 1 July 2002 to 24 January 2003 were:

MF Fleming (chairman)*

AR Fleming*

JG Smithies*

**Independent non-executive*

All the members attended the three meetings held in the first three quarters of the year. It was decided that Mr AR Fleming, in his capacity as chairman of Harmony, effectively served on all board committees and that he should not hold a formal seat on any of the committees. Mr AR Fleming resigned from the HSE Committee on 25 January 2003 and Ms VN Fakude accepted membership of the committee.

The members from 26 January 2003 to 30 June 2003 who attended the fourth meeting held on 24 April 2003 were:

JG Smithies (chairman)*

MF Fleming*

VN Fakude*

**Independent non-executive*

Company Secretary

Harmony's company secretary plays a pivotal role in the achievement of good corporate governance and the board has empowered her accordingly. The company secretary supports the chairman in ensuring the effective functioning of the board, provides guidance to the chairman

and the board and the directors of Harmony's subsidiaries on their responsibilities and duties within the prevailing regulatory and statutory environment, provides the board with guidance as to how they can, in the best interest of the company, discharge these responsibilities and duties, and is expected to and does raise matters that may warrant the attention of the board.

Mr FW Baker, who served as company secretary of Harmony since 1997, retired from his position on 29 November 2002 and Ms MP van der Walt was subsequently appointed on 3 February 2003.

Executive Committee

The members of Harmony's executive management are set out in the section marked "Harmony Executive Management", page 75.

The executive consists of the following teams, which meet once a month.

Internal Transformation - Any internal improvement initiative (such as: performance management, productivity, employment equity) forms part of this agenda.

Operational Trendspotting - This team identifies and monitors shaft issues that require specific attention.

External Transformation - The focus is on sustainable development, the legal framework and the Mining Charter.

Organic Growth - Opportunities within Harmony, such as the shaft projects and capital projects, are discussed at this forum. The life-of-mine plans are also monitored by this team.

New Business Growth - New business opportunities and new business strategies are discussed at these meetings.

5.6 RISK MANAGEMENT

The focus of risk management is to identify, assess manage and monitor all known forms of risk across all business units. We endeavour to minimise operating



risk by ensuring that the appropriate infrastructure, control systems and people are in place throughout the company.

Harmony's operations are subject to the provisions of numerous South African Acts and the regulations promulgated thereunder, the principal acts being the Minerals Bill and the Mine Health and Safety Act. The provisions of these acts and regulations require that extensive and well-managed risk control initiatives are an integral part of our operations.

The objective of our risk management programme is to minimise our business risk by safeguarding our assets and revenue, as well as procure insurance for those events beyond the control of management. A Risk Register has been implemented to determine the material risks to which Harmony may be exposed. Monitoring processes are currently being revised to ensure that these risks are prioritised, to direct the audit effort and to determine the skills required to manage these risks.

Action plans have been developed and prioritised to minimise the risks to an acceptable level. For example, a toll-free line for whistle-blowing was introduced and open communication between employees and management is encouraged. The monitoring and reporting of this process also forms an integral part of risk management.

We have a succession plan in place, should circumstances exist that may have a substantial influence on our management structure.

5.7 POTENTIAL RISKS ASSOCIATED WITH INVESTING IN HARMONY

Although not required, we have detailed additional risk factors which could impact on our business. These risks and other factors are normally included in the company's Annual Report on Form 20F which is filed with the company's other Security and Exchange Commission filings. The list is not complete but indicative of the risks associated with mining.

The following risk factors exist:

Because most of Harmony's production costs are in Rand, and gold is generally

sold in US dollars, our financial condition could be materially harmed by an appreciation in the value of the Rand.

Gold is generally sold throughout the world in US dollars, but most of Harmony's operating costs are incurred in Rand. As a result, any significant and sustained appreciation of the Rand against the US dollar will serve materially to reduce our Rand revenues and overall net income as a result of higher working costs in US dollar terms.

The profitability of Harmony's operations, and the cash flows generated by those operations, are affected by changes in the market price for gold, which in the past has fluctuated widely.

A substantial portion all of our revenues come from the sale of gold. Historically, the market price for gold has fluctuated widely and has been affected by numerous factors over which we have no control, including:

- the demand for gold for industrial uses and for use in jewellery;
- international or regional political and economic trends;
- the relative strength of the US dollar (the currency in which gold prices generally are quoted) and of other currencies;
- financial market expectations regarding the rate of inflation;
- interest rates;
- speculative activities;
- actual or expected purchases and sales of gold bullion holdings by central banks or other large gold bullion holders or dealers;
- forward sales by gold producers; and
- the production and cost levels for gold in major gold-producing nations, such as South Africa.

In addition, the current demand for and supply of gold affects the price of gold, but not necessarily in the same manner as current demand and supply affect the prices of other commodities. Historically, gold has tended to retain its value in relative terms against basic goods in times of inflation and monetary crisis.

As a result, central banks, financial institutions and individuals hold large amounts of gold as a store of value, and production in any given year constitutes a very small portion of the total potential supply of gold. Since the potential supply of gold is large relative to mine production in any given year, normal variations in current production will not necessarily have a significant effect on the supply of gold or its price.

The price of gold remains volatile, for example, on 28 June 2003, the afternoon fixing price of gold on the London Bullion Market was \$318.50 per ounce as opposed to \$346 per ounce (afternoon fixing price of gold on the London Bullion Market) on 30 June 2003

While the aggregate effect of these factors is impossible for Harmony to predict, if gold prices should fall below the cost of production and remain at such levels for any sustained period, we may experience losses and may be forced to curtail or suspend some or all of our workplaces. In addition, we would also have to assess the economic impact of low gold prices on its ability to recover any losses it may incur during that period and on its ability to maintain adequate reserves.

Our average cash cost of production per ounce of gold sold was approximately US\$196 in fiscal 2002, US\$234 in fiscal 2001 and US\$245 in fiscal 2003. Production in any given year constitutes a very small portion of the total potential supply of gold. Thus, normal variations in current production will not necessarily have a significant effect on the supply or its price.

Actual or expected sales of gold by central banks have had a significant impact on the price of gold.

Over the past several years, one of the most important factors influencing the gold price has been actual or expected sales of gold reserves by central banks. Since 1997, a number of central banks, including the central banks of Australia, Switzerland and the United Kingdom, have announced plans to sell significant gold reserves, and, more recently, the International Monetary Fund has discussed selling significant gold

reserves to fund international debt relief. The gold price has declined following each such announcement and sale, culminating in a drop in the gold price to its lowest level in at least 20 years in July 1999, after the Bank of England completed the first part of its announced sale of more than half of its gold reserves. In September 1999, the central banks of 15 European countries agreed to limit sales of gold reserves for the next five years to sales announced at that time and to limit gold lending and derivative operations for five years. The announcement of this agreement led to an immediate increase in the price of gold, although the gold price was subsequently subjected to downward pressure around the time of the periodic auctions held by the Bank of England. The agreement by the central banks is voluntary and is due for renewal in September 2004.

Because Harmony does not use commodity or derivative instruments to protect against low gold prices with respect to most of its production, we are exposed to the impact of any significant drop in the gold price.

As a general rule Harmony sells its gold production at market prices. Recently, there have been two instances in which we have made use of gold price hedges: our forward sale of a portion of the production at Bissett at a set gold price, and in February 2001, put options relating to 1 million ounces of our production at Elandskraal. Both of these hedges were affected by Harmony in order to secure loan facilities and have since been closed out. A significant proportion of the production at Randfontein was already hedged when acquired by Harmony, and these hedges have since been closed out. In addition, a substantial proportion of the production at each of New Hampton and Hill 50 was already hedged when acquired and although a significant amount has been closed out, a portion remains hedged.

Harmony generally does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of its future gold

production. In general, hedging in this manner reduces the risk of exposure to volatility in the gold price. Such hedging also enables a gold producer to fix a future price for hedged gold that generally is higher than the then current spot price. Because Harmony does not generally establish a future price for our gold, we can realise the positive impact of any increase in the gold price. However, this also means that we are not protected against decreases in the gold price and if the gold price decreases significantly we run the risk of reduced revenues in respect of gold production that is not hedged.

Harmony's gold reserve figures are estimated based on a number of assumptions, including assumptions as to mining and recovery factors, future production costs and the price of gold, and may yield less gold under actual production conditions than currently estimated.

The ore reserve estimates contained in this annual report are estimates of the mill-delivered quantity and grade of gold in our deposits and stockpiles. They represent the amount of gold that we believe can be mined, processed and sold at prices sufficient to recover our estimated future total costs of production, remaining investment and anticipated additional capital expenditures. Our ore reserves are estimated based upon many factors, which have been stated under the Ore Reserve section of this report.

The ore reserve estimates contained in this annual report are calculated based on estimates of future production costs, future gold prices and, because our gold sales are primarily in US dollars and we incur most of its production costs in Rand, the exchange rate between the Rand and the US dollar and, in the case of Harmony's Australian operations, the Australian dollar. As a result, the reserve estimates contained in this annual report should not be interpreted as assurances of the economic life of our gold deposits or the profitability of the future operations.

Since ore reserves are only estimates that we makes based on the above factors,



in the future we may need to revise our estimates. In particular, if our production costs increase (whether in Rand terms, in Australian dollar terms, or in relative terms due to appreciation of the Rand or the Australian dollar against the US dollar) or if gold prices decrease, a portion of our ore reserves may become uneconomical to recover. This will force Harmony to lower its estimated reserves.

Harmony's strategy depends on its ability to make additional acquisitions.

In order to increase Harmony's gold production and to acquire additional reserves so that we can maintain and grow our gold production beyond the life of our current ore reserves, we are exploring opportunities to expand by acquiring selected gold producers and mining operations. However, we cannot guarantee that:

- we will be able to identify appropriate acquisition candidates or negotiate acquisitions on favourable terms;
- we will be able to obtain the financing necessary to complete future acquisitions; or
- the issuance of Harmony's ordinary shares or other securities in connection with any future acquisition will not result in a substantial dilution in ownership interests of holders of ordinary shares.

As at 30 June 2003, our mining operations reported total proven and probable reserves of approximately 61.9 million ounces, which includes Elandskraal, New Hampton, Hill 50 and Free Gold. If the company is unable to acquire additional gold producers or generate additional proved and probable reserves at its existing operations or through its exploration activities, Harmony cannot be certain that it will be able to expand or replace its current production with new reserves in an amount sufficient to sustain the life of its mining operations beyond the current life of its reserves.

To maintain gold production beyond the expected lives of Harmony's existing mines or to increase production

materially above projected levels, Harmony will need to access additional reserves through development or discovery.

Harmony's Australian operations have limited proved and probable reserves. Exploration and discovery will be necessary to maintain current gold production levels at these operations in the future. Exploration for gold and other precious metals is speculative in nature, is frequently unsuccessful and involves many risks, including risks related to:

- locating ore bodies;
- identifying the metallurgical properties of ore bodies;
- estimating the economic feasibility of mining ore bodies;
- developing appropriate metallurgical processes;
- obtaining necessary governmental permits; and
- constructing mining and processing facilities at any site chosen for mining.

Our exploration efforts might not result in the discovery of mineralisation and any mineralisation discovered might not result in an increase in our proved and probable reserves.

To access additional reserves in South Africa, we will need to successfully complete development projects, including extending existing mines and, possibly, developing new mines. Development projects would also be necessary to access the platinum and palladium mineralisation identified at the Kalplats platinum group metals project and any mineralisation discovered through exploration in Australia or elsewhere.

Typically we use feasibility studies to determine whether or not to undertake significant development projects. Feasibility studies include estimates of expected or anticipated economic returns, which are based on assumptions about:

- future gold and other metal prices;
- anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed;
- anticipated recovery rates of gold and other metals from the ore; and

- anticipated total costs of the project, including capital expenditure and cash operating costs.

Actual costs, production and economic returns may differ significantly from those anticipated by the feasibility studies.

Moreover, it can take a number of years from the initial feasibility studies until development is completed. During that time, the economic feasibility of production may change. In addition, there are a number of uncertainties inherent in the development and construction of an extension to an existing mine or any new mine, including:

- the availability and timing of necessary environmental and other governmental permits;
- the timing and cost necessary to construct mining and processing facilities, which can be considerable;
- the availability and cost of skilled labour, power, water and other materials;
- the accessibility of transportation and other infrastructure, particularly in remote locations;
- the availability and cost of smelting and refining arrangements; and
- the availability of funds to finance construction and development activities.

Accordingly, there is no assurance that any future development projects will extend the life of our existing mining operations or result in any new commercial mining operations.

Harmony may experience problems in managing new acquisitions and integrating them with its existing operations.

Acquiring new gold mining operations involves a number of risks including:

- difficulties in assimilating the operations of the acquired business;
- difficulties in maintaining the financial and strategic focus while integrating the acquired business;
- problems in implementing uniform standards, controls, procedures and policies;

- increasing pressures on existing management to oversee a rapidly expanding company; and
- to the extent Harmony acquires mining operations outside South Africa, encountering difficulties relating to operating in countries in which we have not previously operated.

Any difficulties or time delays in achieving successful integration of new acquisitions could have a material adverse effect on our business, operating results, financial condition and stock price. For example, following the acquisition of New Hampton, we have encountered higher than expected costs and disappointing results from the Big Bell operations. We may encounter similar difficulties or new problems in integrating other acquisitions.

Due to the nature of mining and the type of gold mines we operate, we face a material risk of liability, delays and increased production costs from environmental and industrial accidents and pollution.

The business of gold mining by its nature involves significant risks and hazards, including environmental hazards and industrial accidents. In particular, hazards associated with underground mining include:

- rock bursts;
- seismic events;
- underground fires;
- cave-ins or falls of ground;
- discharges of gases and toxic chemicals;
- release of radioactive hazards;
- flooding;
- accidents; and
- other conditions resulting from drilling, blasting and removing and processing material from a deep-level mine.

Hazards associated with open-cast mining (also known as open pit mining) include:

- flooding of the open pit;
- collapse of the open pit walls;
- accidents associated with the operation of large open pit mining and rock transportation equipment; and

- accidents associated with the preparation and ignition of large-scale open pit blasting operations.

Hazards associated with waste rock mining include:

- accidents associated with operating a waste dump and rock transportation; and
- production disruptions due to weather.

We are at risk of experiencing any and all of these environmental or other industrial hazards. The occurrence of any of these hazards could delay production, increase production costs and result in liability.

Harmony's insurance coverage may prove inadequate to satisfy future claims against it.

We have third-party liability coverage for most potential liabilities, including environmental liabilities. We believe that our current insurance coverage for the hazards described above is adequate and consistent with industry practice.

However, we may become subject to liability for pollution or other hazards against which we have not insured or cannot insure, including those in respect of past mining activities. Further, we maintain and intend to continue to maintain, property and liability insurance consistent with industry practice, but such insurance contains exclusions and limitations on coverage.

In addition, there can be no assurance that insurance will continue to be available at economically acceptable premiums. As a result, future insurance coverage may not cover the extent of claims against us for environmental or industrial accidents or pollution.

Political or economic instability in South Africa or regionally may have an adverse effect on our operations and profits.

We are incorporated and own significant operations in South Africa. As a result, there are important political and economic risks relating to South Africa, which could affect an investment in Harmony.

South Africa has been transformed into



a democracy since 1994, with a successful second round of democratic elections held during 1999. While Harmony believes that the South African government is stable, government policies aimed at redressing the disadvantages suffered by the majority of citizens under previous governments may impact on our operations and profits.

In addition to political issues, South Africa faces many challenges in overcoming substantial differences in levels of economic development among its people. While South Africa features highly developed, sophisticated first world business sectors and infrastructure at the core of its economy, large parts of the population do not have access to adequate education, health care, housing and other services, including water and electricity.

Furthermore, in recent years, South Africa has experienced high levels of crime and unemployment. These problems have been among the factors that impeded fixed inward investment into South Africa and prompted emigration of skilled workers.

Although the South African Government has indicated on numerous occasions that it is committed to creating a stable, democratic free-market economy, including the phasing out of exchange controls, it is difficult to predict the future political, social and economic direction of South Africa or how the government will try to address South Africa's problems. It is also difficult to predict the effect on our business of these problems or of the government's efforts to solve them.

Further, there has been regional political and economic instability in countries north of South Africa. As discussed above, any resulting political or economic instability in South Africa could have a negative impact on our ability to manage and operate our South African mines.

The results of Harmony's South African operations may be negatively impacted by inflation.

In the late 1980s and early 1990s, inflation in South Africa reached record highs. This increase in inflation resulted in considerable year on year increases in operational costs.

By calendar 2001, the inflation rate had decreased to single-digit figures. However, the recent depreciation of the Rand has created inflationary pressure.

While our operations have not in recent years been materially affected by inflation, a period of significant inflation in South Africa, without a concurrent devaluation of the Rand or an increase in the price of gold, could have a material adverse effect on our profits and financial condition.

Harmony's financial flexibility could be materially constrained by South African currency restrictions.

South Africa's exchange control regulations provide for restrictions on exporting capital from South Africa, the Republic of Namibia, and the Kingdoms of Lesotho and Swaziland, known collectively as the Common Monetary Area.

Transactions between South African residents (including corporations) and non-residents of the Common Monetary Area are subject to these exchange control regulations that are enforced by the South African Reserve Bank (SARB). As a result, Harmony's ability to raise and deploy capital outside the Common Monetary Area is restricted. In particular, we:

- are generally not permitted to export capital from South Africa or to hold foreign currency without the approval of the South African exchange control authorities;
- are generally required to repatriate to South Africa profits of foreign operations; and
- are limited in our ability to utilise profits of one foreign business to finance operations of a different foreign business.

These restrictions could hinder Harmony's normal corporate functioning. While exchange controls have been relaxed in recent years and are continuing to be relaxed, it is difficult to predict whether or how the South African Government will further relax the exchange control regulations in the future.

Since Harmony's South African labour force has substantial trade union participation, Harmony faces the risk of disruption from labour disputes and new South African labour laws.

Due to the number of its South African employees who belong to unions, Harmony is at risk of having its production stopped for indefinite periods due to strikes and other labour disputes. Significant labour disruptions may have a material adverse effect on our operations and financial condition. We are not able to predict whether we will experience significant labour disputes in the future.

Our production may also be materially affected by labour laws. Since 1995, South African laws relating to labour have changed significantly in ways that affect our operations. In particular, laws enacted since then that regulate work time, provide for mandatory compensation in the event of termination of employment for operational reasons, and impose large monetary penalties for non-compliance with administrative and reporting requirements in respect of affirmative action policies, could all result in significant costs.

In addition, future South African legislation and regulations relating to labour may further increase our costs or alter our relationship with our employees. There may continue to be significant changes in labour law in South Africa over the next several years.

HIV/AIDS poses risks to Harmony in terms of productivity and costs.

The incidence of HIV/AIDS in South Africa, which is forecast to increase over the next decade, poses risks to us in terms of potentially reduced productivity and increased medical and other costs. We expect that significant increases in the incidence of HIV/AIDS infection and HIV/AIDS -related diseases among our workforce over the next several years may adversely impact on our operations and financial condition. This expectation, however, is based on assumptions about, among other things, infection rates and treatment costs, which are subject to material risks and uncertainties beyond our



“All that reporting! What has it got to do with getting the stuff out of the ground?”

TEN PEOPLE. ONE STORY.

Name
Johan Schonfeldt
Time at Harmony
16 years
Works at
Cooke 3
Started as
Shiftboss
Position today
Mine Overseer

When Harmony first made the changes I locked myself in the office for 3 days just absorbing it. A mine overseer, that's what I wanted to be – it's where I felt comfortable. You get set in your ways, you see. I've been at Randfontein for 16 years.

In the old days if you made a mistake I'd just say you were wrong. I used to say, "You blasted out those sticks, now somebody's going to have to put them back in." Now you bring the whole team together and look at how it inconvenienced them all.

We used to say, "If you want the manager to get into trouble, just do what he tells you to do." Now I'm in the hot seat I must do what's right. Previously you told people what their problems were. Now you admit you don't know everything and ask for participation. But I feel that if we say equal opportunities we must say equal responsibilities as well.

It's a challenge to me to teach the responsibilities that go with the job. I consciously try to continue mentoring. We need to fast-track people intensively – give people as much skills and opportunities as we can – push each guy faster to know what Harmony expects of him.

If I had to go back to the old reporting structure - how they report - what they report... all that reporting! What has it got to do with getting the stuff out of the ground? It would stifle me.

control as a result, actual results may differ from the current expectation.

Mineral rights ownership.

On 3 October 2002 the Mineral and Petroleum Resources Development Act, (the Act) was signed into law by the President of South Africa. The principal objectives set out in the Act are:

- to recognise the internationally accepted right of the state of South Africa to exercise full and permanent sovereignty over all the mineral and petroleum resources within South Africa;
- to give effect to the principle of the State's custodianship of the nation's mineral and petroleum resources;
- to promote equitable access to South Africa's mineral and petroleum resources to all the people of South Africa and redress the impact of past discrimination;
- to substantially and meaningfully expand opportunities for historically disadvantaged persons, including women, to enter the mineral and petroleum industry and to benefit from the exploitation of South Africa's mineral and petroleum resources;
- to promote economic growth and mineral and petroleum resources development in South Africa;
- to promote employment and advance the social and economic welfare of all South Africans;
- to provide security of tenure in respect of prospecting, exploration, mining and production operations;
- to give effect to Section 24 of the South African Constitution by ensuring that South Africa's mineral and petroleum resources are developed in an orderly and ecologically sustainable manner while promoting justifiable social and economic development;
- to follow the principle that mining companies keep and use their mineral rights, with no expropriation and with guaranteed compensation for mineral rights; and
- to ensure that holders of mining and production rights contribute towards socio-economic development of the areas in which they are operating.

Under the Act, tenure licences over established operations will be secure for 30 years (and renewable for 30 years thereafter), provided that mining companies obtain new licenses over existing operations within five years of the date of enactment of the Act and fulfil requirements specified in a broad-based socio-economic empowerment charter for the South African mining industry, or the Mining Charter.

The principles contained in the Mining Charter relate to the transfer, over a 10-year period, of 26% of South Africa's mining assets to historically disadvantaged South Africans, as defined in the Mining Charter. Under the Mining Charter, the South African mining industry has committed to securing financing to fund participation of historically disadvantaged South Africans in an amount of R100 billion within the first five years of the Mining Charter's tenure. The Mining Charter provides for the review of the participation process after five years to determine what further steps, if any, are needed to achieve the 26% target participation. The Mining Charter requires programmes for black economic empowerment and the promotion of value-added production, such as jewellery-making and other gold fabrication, in South Africa. The Mining Charter also sets out targets for broad-based black economic empowerment in the areas of human resources, skills development, employment equality, procurement and beneficiation. In addition, the Mining Charter addresses other socio-economic issues, such as migrant labour, housing and living conditions.

We actively carry out mining and exploration activities in all of our material mineral rights areas. Accordingly, we will be eligible to apply for new licences over our existing operations, provided that we comply with the Mining Charter. We have taken steps to comply with the expected provisions of the Mining Charter, such as promoting value-added production, exploring black empowerment initiatives and increasing worker participation. Our Sustainability Report carries more detail on these initiatives. We are currently evaluating the impact that the Mining Charter may have with regard to its operations and no



assurance can be given as to when the Mining Charter will be finalised or what the final form of the Mining Charter will contain. We expect that there will be costs involved in complying with the Mining Charter, which may have an adverse impact on the profits generated by our operations in South Africa.

The Act also makes reference to royalties being payable to the state in terms of an Act of Parliament known as the Money Bill, which was made available for public comment earlier this year. The introduction of the Money Bill as law may have an adverse impact on the profits generated by Harmony's operations in South Africa. Harmony is currently evaluating this impact. No assurance can be given as to whether or when the proposed Money Bill will be enacted.

In Australia, most mineral rights belong to the government, and mining companies must pay royalties to the government based on production. There are, however, limited areas where the government has granted freehold estates without reserving mineral rights. Harmony's subsidiary, New Hampton, has freehold ownership of its Jubilee mining areas, but the other mineral rights in Harmony's Australian operations belong to the Australian Government and are subject to royalty payments. In addition, current Australian law generally requires native title approval to be obtained before a mining licence can be granted and mining operations can commence. New Hampton and Hill 50 have approved mining leases for most of their reserves, including all reserves that are currently being mined, and Bendigo has an approved mining licence for its current development area. If New Hampton, Hill 50 or Bendigo desired to expand operations into additional areas under exploration, these operations would need to convert the relevant exploration licences prior to commencing mining, and that process could require native title approval. There can be no assurance that any approval would be received.

Harmony is subject to extensive environmental regulations.

As a gold mining company, we are subject to extensive environmental regulation. We

have experienced and expect to continue to experience increased costs of production arising from compliance with South African environmental laws and regulations. The Minerals Act, the regulations promulgated under the Minerals Act, certain other environmental legislation and the administrative policies of the South African Government all regulate the impact of our prospecting and mining operations on the environment.

Pursuant to these regulations, upon the suspension, cancellation, termination or lapsing of a prospecting permit or mining authorisation in South Africa, we will remain liable for compliance with the provisions of the Minerals Act, including any rehabilitation obligations. This liability will continue until such time as the South African Department of Minerals and Energy certifies that we have complied with the provisions of the Minerals Act.

In future, we may incur significant costs associated with complying with more stringent requirements imposed under new legislation and regulations. This may include the need to increase and accelerate expenditure on environmental rehabilitation, and alter provisions for this expenditure, which could have a material adverse effect on our results and financial condition.

The South African Government is currently reviewing requirements imposed upon mining companies to ensure environmental restitution. For example, with the introduction of an environmental rights clause in South Africa's constitution, a number of environmental legislative reform processes have been initiated. Legislation passed as a result of these initiatives has tended to be materially more onerous than laws previously applied in South Africa. Examples of such legislation include the National Water Act 36 of 1998 and the National Environmental Management Act 107 of 1998, both of which include stringent "polluter-pays" provisions. The adoption of these or additional or more comprehensive and stringent requirements, in particular with regard to the management of hazardous wastes, the pollution of ground and groundwater systems, and the duty to rehabilitate closed mines, may result in additional costs and liabilities.

Because the principal non-United States trading market for Harmony's ordinary shares is the JSE Securities Exchange South Africa, investors face liquidity risk in the market for Harmony's ordinary shares.

The principal non-United States trading market for Harmony's ordinary shares is the JSE Securities Exchange South Africa, or the JSE Securities Exchange. Historically, trading volumes and liquidity of shares listed on the JSE Securities Exchange have been low in comparison with other major markets. The ability of a holder to sell a substantial number of our ordinary shares on the JSE Securities Exchange in a timely manner, especially with regard to a large block trade, may be restricted by the limited liquidity of shares listed on the JSE Securities Exchange.

Harmony may not pay cash dividends to its shareholders in the future.

It is the current policy of Harmony's board to declare and pay cash dividends if profits and funds are available for that purpose. Whether funds are available depends on a variety of factors, including the amount of cash available and our capital expenditures and other cash requirements existing at the time. Under South African law, cash dividends may only be paid out of the profits. No assurance can be given that cash dividends will be paid in the future.

Harmony's non-South African shareholders face additional investment risk from currency exchange rate fluctuations since any dividends will be paid in Rand.

Dividends or distributions with respect to Harmony's ordinary shares have historically been paid in Rand. The US dollar equivalent of any dividends or distributions with respect to our ordinary shares will be adversely affected by potential future reductions in the value of the Rand against the US dollar. In fiscal 2002, the value of the Rand relative to the US dollar decreased by an average of 34%.

Harmony has a share option scheme and therefore its ordinary shares are subject to dilution.

On 30 June 2003 Harmony had an aggregate of 250 000 000 ordinary shares authorised to be issued and at that date an aggregate of 184 854 115 ordinary shares were issued and outstanding. In addition, 2 351 113 warrants were exercised whereby a total of 2 351 113 ordinary shares were purchased at an exercise price of R43.00 per share or the US dollar on or before 29 June, 2003. The warrants expired on 29 June 2003.

Harmony also has an employee share option plan. The employee share option plan in effect prior to 16 November 2001 permitted the granting of options in an amount up to an aggregate of 10% of the number of Harmony ordinary shares outstanding as of the date of the grant. With effect from 16 November 2001, this plan was replaced by a plan authorising the granting of options to purchase up to an aggregate of 8 000 000 ordinary shares (in addition to any previously granted options that remain outstanding under the previous plan). At 30 June 2003, options to purchase a total of 7 26 900 ordinary shares were outstanding, 6 200 500 of which were granted under the current plan and 1 065 400 of which were granted under the previous plan. The exercise prices of these options vary between R11.70 and R93.00.

As a result, shareholders' equity interests in Harmony are subject to dilution to the extent of the future exercises of the options.

5.8 CODE OF ETHICS

Harmony is committed to promoting the highest standards of behaviour and compliance with laws and regulations. Our Code of Ethics, which was published and has been in force since 1995, is a clear guide as to the expected behaviour of all employees in their dealings with our stakeholders. These include the directors, managers, employees, customers, suppliers, competitors, investors, shareholders and society at large. We

require our employees to maintain the highest ethical standards in ensuring that we conduct our business practices in a way which is above reproach.

5.9 CODE OF CONDUCT

The Harmony Code of Conduct has been developed to respond to the challenge of ethical conduct in the business environment. All our employees were involved in the development of the Code, and therefore all employees are expected to comply with its contents. Our Code of Conduct provides guidelines to ensure that each employee is unequivocal about our values and the way in which these values have to find expression in our daily behaviour. This Code goes beyond our legal and institutional responsibilities by formalising our values within the company. It is possible, however, that an employee may be confronted with difficult situations where he/she may not be sure of how to react. In such a case, the employee has direct access to either our chief executive or company secretary.

5.10 RESTRICTIONS ON SHARE DEALINGS

Our employees and directors are prohibited from dealing in Harmony shares during price-sensitive periods. Our company secretary regularly distributes written notices, via e-mail, to advise employees and directors of restricted periods. Each employee is obliged in terms of regulatory and governance requirements to disclose any dealings in Harmony shares by them or their concert parties to the company secretary. In view of the amendments to the JSE Securities Exchange Listing Requirements we will implement a formal clearance procedure in respect of directors dealing in Harmony shares.

5.11 INTERNAL CONTROL AND INTERNAL AUDIT

We have established an internal audit function, which has been outsourced to KPMG Management Assurance Services. Internal Audit is an independent appraisal



function established by the board to evaluate the adequacy and effectiveness of controls, disciplines, systems and procedures within the company, in order to reduce business risks to an acceptable level in a cost-effective manner. To achieve its independent organisational status, the Internal Audit Function reports to the Audit Committee. The relationship between the Audit Committee and the Internal Audit Function encompasses reporting and oversight relationships.

Audits are conducted in accordance with the Code of Ethics and Standards of the Professional Practice of Internal Auditing as laid down by the Institute of Internal Auditors, Inc. Although the role of Internal Audit is to review internal controls, systems, procedures, risks and management and ultimately the board retains full responsibility to ensure that the company maintains an appropriate framework of controls to reduce business risks to an acceptable level. Except for minor matters, the board is satisfied that our internal controls are more than adequate in safeguarding our assets, preventing and detecting errors and fraud, ensuring the accuracy and completeness of accounting records and preparing reliable financial statements.

5.12 WORKER PARTICIPATION

We have participation structures to deal with issues that affect good employer / employee relations through encouraging open communication, consultation and the identification and resolution of conflicts through a system of workplace forums. These structures embrace goals relating to productivity, career security, legitimacy and identification with the company. A designated group programme forms part of the company's training programme and business plan. Positive rapport is maintained with unions and associations.

5.13 INFORMATION MANAGEMENT

Record keeping

Accurate and reliable records of many kinds are necessary to meet our legal and financial obligations and to manage company affairs. Harmony's books and

records reflect all business transactions in an accurate and timely manner. Undisclosed or unrecorded revenues, expenses, assets or liabilities are not permissible, and the employees responsible for accounting and record-keeping functions are expected to be diligent in enforcing proper practices.

Information necessary for Harmony's business is reliable, accurate and its confidentiality is maintained. Only reputable and reliable sources are used to supplement this information. Information is retained for as long as it is needed or as required by law, and every employee realises his/her responsibility to ensure that such information is physically secured and protected.

Information Technology

An external assessment of all our IT systems was conducted during the year. Ethical hacking tests were also performed by an independent company. The recommendations made were followed and we believe that all our systems are now safe and up to standard.

Promotion of Access to Information Act

Harmony complies with the Access to Information Act, 2 of 2000 and the company's shareholders and stakeholders have access to the Information Manual via our website.

5.14 SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

In terms of section 302 of SOx our chief executive and chief financial officer are required to certify that:

- he or she has reviewed the annual report;
- based on his/her knowledge, the report contains no material misstatements or omissions;
- based on his/her knowledge, the financial statements and other financial information included in the annual report, fairly presents in all material respects the financial condition, results of operations and cash flows of the issuer (being Harmony) for the periods presented in this report;

- the certifying officers are responsible for establishing and maintaining disclosure controls and procedures and have properly designed and evaluated them;
- the certifying officers have disclosed all significant deficiencies to the auditors and Audit Committee, and
- the certifying officers have indicated any significant changes in internal controls in the report.

Although this is a much publicised and new requirement in the USA, Harmony has always subscribed to honest, transparent and timeous reporting.



“I started in the years when women didn’t belong in the mining industry.”

TEN PEOPLE. ONE STORY.

Name
Annetjie de Beer
Time at ARMgold
5 years
Works at
Orkney
Started as
Clerk
Position today
Financial Leader

I started in the years when women didn't belong in the mining industry. I never said no to work and promotions took me to the top of the range for ladies, which was a very low level. Three of us started developing ourselves together – broadening our experience in management accounting. But further promotions were difficult. There was discrimination when it came to salaries and benefits. Progress was slow.

The big change came when I was involved in the negotiation phase between AngloGold and ARMgold. ARMgold needed a financial manager and took me onto their team. I knew what the possibilities were for ARMgold – they were people I knew and had worked with.

The difference in ARMgold was that we were always involved. It was an open culture. Suggestions were heard. People took initiative.

I had the freedom to put into practice what I know – and to make decisions about implementation.

In ARMgold management accounting plays a big role. Understanding the financial and business side of mining is taken through the ranks to mine overseer and shift-boss levels – looking at how declining ore reserves and the gold price affect production decisions. Problem-sharing is team-building.

The Harmony merger opens new horizons of opportunity. We have compatible philosophies and compatible approaches to mining.

I'd like to be involved in decision-making around systems and synergies. Also around implementing change and helping people to cope with it – showing people the benefits of doing things differently.

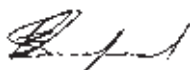
5.15 DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparation, integrity and fair representation of the financial statements of the Group and the Company. The financial statements, presented on page 96 to 140 of this report, were prepared in accordance with South African Statements of Generally Accepted Accounting Practice and International Financial Reporting Standards and include amounts based on judgements and estimates made by management. The directors also prepared other information included in this annual report and are responsible for both its accuracy and consistency with the financial statements.

During the preparation of the financial statements, we adopted the going concern basis. Based on forecasts and available resources, the directors have no reason to believe that the Company will not be a going concern in the foreseeable future. The financial statements support the Company's viability.

The independent firm, PricewaterhouseCoopers Inc., audited the financial statements. Unrestricted access was given to all financial records and related data, including minutes of all shareholders', Board of directors' and Board committee meetings. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate.

These financial statements were approved by the Board of directors on 23 September 2003 and signed on its behalf by:



ZB Swanepoel
Chief Executive



F Abbott
Financial Director

Virginia
23 September 2003

5.16 INDEPENDENT AUDITORS' REPORT

We have audited the annual Group and Company financial statements of Harmony Gold Mining Company Limited for the year ended 30 June 2003 set out on pages 96 to 140. These financial statements are the responsibility of the directors of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards, and in accordance with International Standards on Auditing issued by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- An examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements;
- An assessment of the accounting principles used and significant estimates made by management; and
- An evaluation of the overall presentation of financial statements.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly represent, in all material respects, the financial position of the Company and the Group as at 30 June 2003, and the results of their operations, changes in equity and cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice, International Financial Reporting Standards and in the manner required by the South African Companies' Act.



PricewaterhouseCoopers Inc.
Chartered Accountants (SA)
Registered Accountants and Auditors

Johannesburg
23 September 2003

DIRECTORS' REPORT



5.17 DIRECTOR'S REPORT

The Company and its subsidiaries

Harmony, its subsidiaries and associates are involved in gold mining, exploration and related activities mainly in South Africa, Australasia, the Russian Federation and Peru. The company does not have a major controlling shareholder and is managed by its directors for and on behalf of its stakeholders.

Financial statements and results

The directors have pleasure in submitting the financial statements of the company, together with those of the group, for the year ended 30 June 2003. These appear on pages 103 to 142 of this report. These financial statements have been prepared using appropriate accounting policies, conforming to statements of South African Generally Accepted Accounting Practice and International Financial Reporting Standards, supported by reasonable and prudent judgements and estimates where required.

Going concern

The directors believe that Harmony has sufficient resources and expected cash flows to continue operating as a going concern.

Corporate governance

Full details of Harmony's commitment to corporate governance can be found on pages 76 to 92.

Capital

Full detail of the issued share capital of the company as at 30 June 2003 is set out in the statements of shareholders' equity on page 105 of this report.

Year-on-year the issued share capital of the company increased by R7 803 383 to R92 427 057.50, which is equal to 15 606 766 million newly-issued ordinary shares of 50 SA cents each. The increased amount is mainly due to the issue of 8 million shares for cash in January 2003, the exercise of warrants and the exercise of share options under the company's share incentive schemes.

The control over the unissued shares of the company is vested in the directors in specific terms as regards allotments in terms of the Harmony (1994) and (2001) Share Option Schemes ("the option

schemes") and the allotment of shares for cash and in general terms as regards all other allotments.

The authorities granted to directors in respect of control over the unissued shares expire on the date of the annual general meeting of members to be held on 14 November 2003. Members, therefore, will be requested to consider resolutions at the forthcoming annual general meeting, placing under the control of the directors the then remaining unissued ordinary shares not required for purposes of the share option schemes.

Members will furthermore be requested to furnish general approval for the acquisition by the company of its issued shares in terms of Section 85 of the Companies Act, 1973 and subject to the listing requirements of the JSE Securities Exchange.

The full text of the proposed resolutions is contained in the notice of the annual general meeting (enclosed).

Investments

A schedule of investments in subsidiaries, associates and listed and unlisted investments, appears on pages 138 to 140 of this report

Acquisitions

During the year under review, the following acquisitions were made:

- The Free Gold Joint Venture took control of the St Helena assets on 29 October 2002. In terms of the agreement concluded on 24 May 2002, the venture acquired these assets for a gross sale consideration of R120 million. In addition, a royalty of 1% is payable for a period of 48 months from the effective date.
- On 21 November 2002 Harmony completed the acquisition of 17 074 861 ordinary shares, or a 16% interest, of High River Gold. High River Gold (TSA:HRG) is a Toronto-based company with gold interests in Russia, Canada and West Africa. The total purchase consideration amounted to R141 million (US\$14.5 million) which represented a 16% discount on the weighted average share price for the 30-day trading period prior to the execution of the agreement.

- On 26 February 2003 Harmony announced that it had agreed to subscribe for new shares and intended to make a public takeover offer for Australian-listed gold producer Abelle Limited. The offer closed on 26 March 2003 and Harmony now owns 87% of the shares and 65% of the listed options in Abelle. The total consideration payable was A\$151 million or US\$98 million. On 30 June 2003, at a share price of A\$1010 per share, our investment was valued at US\$127 million.
- On 2 May 2003, Harmony and ARMgold announced details of their 50/50 joint acquisition of a 34,5% stake in Anglovaal Mining Limited (Avmin). Based on a value of R43.50 per share, the transaction is valued at R1 687 billion and was paid for in cash.

Property

Full detail of the property, mineral and participation rights of the company and the group are available on request.

Dividends

Interim dividend No 76 of 125 cents per share and final dividend No 77 of 150 cents were declared payable on 3 March 2003 and 8 September 2003 respectively, in respect of the financial year ended 30 June 2003, thus resulting in a total dividend of 275 cents per share for the year.

Share incentives

Harmony share options are granted to managers as an incentive, in addition to salaries. The exercise of each option granted is set at the closing market price of Harmony's ordinary shares on the JSE on the day before the date of grant. Each option remains open for acceptance for 10 years after the date of grant, subject to the terms of the relevant option scheme. The company has two share option schemes, namely the 1994 Share Option Scheme and the 2001 Share Option Scheme, with similar rules.

Options in terms of the 1994 Share Option Scheme may only be exercised over three years in three equal parts. In terms of the 2001 Share Options Scheme,

the options may only be exercised over five years in five equal parts. The 1994 and 2001 Share Option Schemes may be amended from time to time (whether retrospectively or otherwise) by the board in any respect (except for certain specific clauses that may only be amended through approval in a general meeting), provided that no such amendment shall operate to alter the terms and conditions of any option granted to a participant prior thereto, without the written consent of that participant and provided that the prior written approval of the JSE Securities Exchange has been obtained.

No share options were re-priced during the financial year.

Harmony adopted a share purchase scheme in which 1994 and 2001 Share Option Scheme participants respectively may participate. The Share Purchase Scheme provides for a share purchase trust controlled by Harmony. Recourse loans are provided by the trust to the employees to enable them to acquire shares or exercise their options under the 1994 and the 2001 Share Option Scheme. However, in terms of a trustees resolution passed on 27 March 2003, Share Option Scheme participants are no longer allowed to place their shares in the share purchase trust. The share purchase trust is funded by a loan from Harmony, which it repays once it receives repayment of the recourse loans granted to employees. Two independent non-executive directors, Mr M F Fleming and Mr A R Fleming, currently serve as trustees. The trustees are not eligible to receive loans from the trust.

Activity under the various Share Incentive Schemes for the year under review is set out in **table 1**.

Directorate

The following directors were appointed to the Harmony board:

Executive Directors

AJ Wilkens***
P Taljaard***
WM Gule***
DV Simelane***

Non-executive Directors

PT Motsepe (new chairman)***
Dr MMMM Bakane-Tuoane***
MW King***
CML Savage***
Dr RV Simelane***
Dr SP Sibisi***
MV Sisulu**
VN Fakude*
DS Lushaba*

* Appointed on 18 October 2002

** Appointed on 1 August 2003

*** Appointed on 23 September 2003

Abridged CVs of all the new directors appear on pages 69 to 72 of this report. All directors made themselves available for election to the board at the upcoming general meeting of members.

Mr P T Motsepe has been appointed as non-executive chairman of the new Harmony board.

In terms of the company's Articles of Association, Messrs Z B Swanepoel, T S A Grobicki and M F Fleming qualify for

retirement by rotation at the forthcoming annual general meeting. The retiring directors are eligible and have made themselves available for re-election to the board. Ms T A Mokhobo, who represented Simane Security Investments (Pty) Ltd, resigned as director of the board on 3 July 2003. Messrs J G Smithies and A R Fleming have also tendered their resignations as non-executive directors effective 22 September 2003, and have not made themselves available for re-election.

Directors' interests

Disclosure by directors indicate that, at the date of this report, their individual shareholdings and those of their immediate families and associates, do not exceed one per cent of the company's issued share capital, save for Mr A R Fleming, who indirectly holds 4 685 747 shares or 1,84% of the issued share capital of the company as at 30 June 2003.

The directors' interests and dealings in shares acquired, other than through share incentive schemes, for the year under review and up to 30 June 2003, are set out in **table 2**.

Directors' emoluments

Harmony's Remuneration Committee (see pages 80 to 81 for details) ensures that directors and senior executives are fairly rewarded for their individual contributions to our overall performance.

Directors' emoluments for the year ended 30 June 2003 are set out in **table 3**, in conformity with the requirements of the JSE Securities Exchange South Africa.

table 1

| Executive Directors | BALANCE AS AT 1 JULY 2002 | | EXERCISED AND SOLD DURING THE YEAR | | ALLOCATED DURING THE YEAR | | LAPSED | BALANCE 30 JUNE 2003 | |
|---------------------|---------------------------|-------------------------|------------------------------------|-------------------------|---------------------------|-------------------------|---------|----------------------|-------------------------|
| | Number of options | Average price per share | Number of options | Average price per share | Number of options | Average price per share | | Number of options | Average price per share |
| F Abbott | 160 000 | 42.82 | 86 600 | 100.77 | - | - | - | 73 400 | 49.60 |
| F Dippenaar | 160 000 | 42.82 | 66 600 | 94.09 | - | - | - | 93 400 | 46.56 |
| T S A Grobicki | 289 000 | 37.60 | 181 600 | 102.72 | - | - | - | 107 400 | 44.63 |
| Z B Swanepoel | 263 000 | 43.76 | 121 150 | 101.46 | - | - | - | 141 850 | 48.27 |
| Management (All) | 8 205 000 | 42.55 | 1 787 350 | 118.30 | 1 311 000 | 91.60 | 481 800 | 7 682 900 | 52.70 |

The lapsed options in the amount of 481 800 represent accrued options of employees who have been retrenched, who have retired or who have resigned. The prices per share range between R11.70 and R93.00. The last date on which an option may be exercised is 27 March 2013.

table 2

| NAME | BALANCE 30 JUNE 2002 | ACQUIRED | DISPOSED | BALANCE 30 JUNE 2003 |
|-----------------|----------------------|----------|----------|----------------------|
| A R Fleming | 5 258 868 | - | 573 121 | 4 685 747 |
| T S A Grobicki* | 160 800 | - | 131 412 | 29 388 |
| R W Renwick | 5 105 | - | - | 5 105 |

* All holdings are beneficial, other than 29 388 held by T S A Grobicki on behalf of a trust of which he is a trustee, but not a beneficiary

** None of the other directors hold shares in Harmony



The profit in terms of share incentive schemes is set out in **table 4**.

Executives participate in an Executive Bonus Scheme and bonuses are determined for a financial year by the Remuneration Committee based on a 10% share of profits in excess of a predetermined benchmark. The benchmark profit is calculated by using the call deposit rate + 2% applied to the total shareholders' equity. Individual performance criteria, as well as a relative loading further influence the financial bonus payable to an executive.

The bonus is paid in three equal yearly instalments at the end of the company's financial year. If an employee leaves the employment of the company, he forfeits any outstanding bonus. The bonus payment included during the 2003 financial year represents the second yearly installment of the bonus awarded for the 2002 financial year. No bonus was awarded to any of the executive directors during the 2003 financial year.

Shareholders

Information on shareholder spread, range of shareholdings and public shareholders, as well as major shareholders, is presented on page 149 of this report.

Post year-end events

- The Harmony/ARMgold merger will be effected on 22 September 2003 by the issue of two Harmony shares for every three ARMgold shares held, subject to shareholders approval. It is anticipated that approximately 63.67 million shares will be issued, increasing the

companies' outstanding shares to 257.8 million. At a price of R90 per share, the new company will have a market capitalisation of R23.2 billion (US\$3.1 billion at R7.50 to the US Dollar). Post-merger, the aggregate number of Harmony shares issued to ARMgold shareholders will represent 25% of the enlarged issued share capital of the merged company. Our largest shareholder, holding approximately 14% of the new company will be African Rainbow Mineral and Exploration Investments (Pty) Ltd (ARMI), represented by Mr PT Motsepe.

- On 15 July 2003 we announced the acquisition of 77 540 830 ordinary shares (11.5%) in Avgold Limited from Anglo South Africa Capital (Proprietary) Limited in exchange for the issue to Anglo South Africa of a renounceable letter of allocation ("RLA") representing the right to the allotment and issue of 6 960 964 new ordinary shares in Harmony, comprising 3.8% of the company's issued share capital. Avgold operates the Target Mine in the Free State which at full production is expected to produce 350 000 ounces per annum, at a cash cost below US\$180 per ounce. An extensive exploration programme in an area known as Target North, which has a resource base of approximately 80 million ounces is currently underway.

Herewith a brief summary of the Doornkop transaction- "Randfontein Estates Limited ("Randfontein"), a wholly owned subsidiary of the company, entered into an agreement with Africa Vanguard Resources (Proprietary) Limited ("Africa Vanguard") on 21 January 2003, in terms of which Randfontein sold 26% of its mineral rights in respect of the Doornkop Mining Area to Africa Vanguard for a purchase consideration of R250 000 000.00 plus VAT. Randfontein and Africa Vanguard also entered into a Joint Venture Agreement on the same day, in terms of which they agreed to jointly conduct a mining operation in respect of the Doornkop Mining Area. The Agreements were subject to the fulfilment of certain conditions precedent, the last of which was fulfilled on 12 August 2003. The Agreements were implemented, and the purchase price paid on 15 August 2003."

Special resolutions

Harmony Gold Mining Company Limited passed a special resolution on 15 November 2002 - **see table 5**.

Secretary

The secretary of the company is Ms MP van der Walt. Her business and postal addresses appear on page 151 of this report.

The secretary has, in terms of section 268G(d) of the Companies Act, 1973, certified that: "All such returns as are required of a public company in terms of the Act has been made and are true, correct and up to date".

table 3

| NAME | DIRECTORS' FEES (R'000) | SALARIES AND BENEFITS (R'000) | RETIREMENT CONTRIBUTIONS (R'000) | BONUSES PAID DURING THE YEAR (R'000) | TOTAL (R'000) |
|------------------------|-------------------------|-------------------------------|----------------------------------|--------------------------------------|---------------|
| Non - Executive | | | | | |
| A R Fleming | 100 | - | - | - | 100 |
| T A Mokhobo | 100 | - | - | - | 100 |
| M F Fleming | 100 | - | - | - | 100 |
| R W Renwick | 100 | - | - | - | 100 |
| J G Smithies | - | - | - | - | - |
| V N Fakude | 75 | - | - | - | 75 |
| D S Lushaba | 75 | - | - | - | 75 |
| Executive** | | | | | |
| F Abbott | - | 1 001 | 110 | 2 000 | 3 111 |
| F Dippenaar | - | 927 | 119 | 2 000 | 3 046 |
| T S A Grobicki* | - | 1 770 | 121 | 2 000 | 3 891 |
| Z B Swanepoel | - | 1 640 | 196 | 3 000 | 4 836 |
| Total | 550 | - | 546 | 9 000 | - |

* T S A Grobicki was seconded to Australia at the end of February 2003. His emoluments include his salary received in Australian dollars

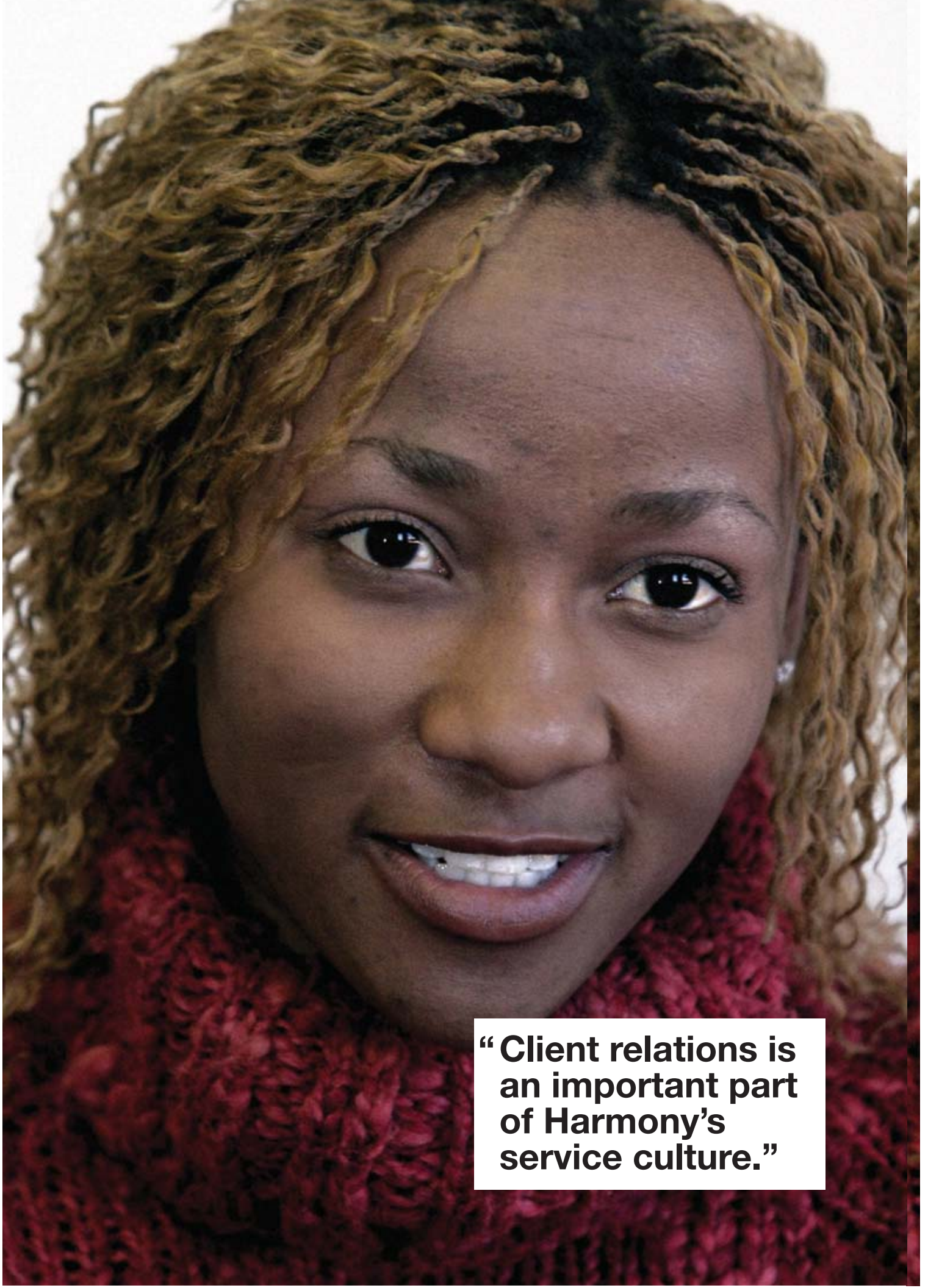
**Directors' fees waived

table 4

| NAME | NO OF SHARES SOLD | AVERAGE COST PER OPTION | AVERAGE PRICE PER SHARE REALISED | GROSS PROFIT (R'000) |
|----------------|-------------------|-------------------------|----------------------------------|----------------------|
| F Abbott | 86 600 | 37.07 | 100.77 | 5 516 |
| F Dippenaar | 66 600 | 37.57 | 94.09 | 3 764 |
| T S A Grobicki | 161 600 | 33.20 | 102.72 | 11 234 |
| Z B Swanepoel | 121 150 | 38.47 | 101.46 | 7 631 |

table 5

| EFFECTIVE DATE | RESOLUTION |
|------------------|--|
| 15 November 2002 | Approval of acquisition of company's own shares, subject to the requirements of any stock exchange upon which the company's shares may be quoted |



“ Client relations is an important part of Harmony’s service culture.”

TEN PEOPLE. ONE STORY.

Name
Elizabeth Mamolapo
Time at Harmony
2 years
Works at
Randfontein
Started as
Student at Harmony
Bridging School
Position today
Sales Person

Some people are surprised that I work for a mine. They shouldn't be. I went to Harmony High School. Then the Harmony Bridging School. That's where I decided to go into finance instead of engineering. I want to get onto the management level as a shaft accountant. I'm on my way there.

After Bridging School I did a B-Com at Wits. Then I joined the Harmony finance department at Randfontein. Then made a move to marketing.

Finance is you and accounts – in marketing you have clients and their queries to deal with. You have to satisfy client needs – you have to please everybody – dealing with people from all over the world. I love the challenge. Client relations is a very important thing to learn because it's an important part of Harmony's service culture.

Each day you have to know the gold price of the day – then it's onto E-commerce – confirmation from banks – it's a long procedure – dealing with customer queries – and at the end of the day you ship out products. You have to be accurate in terms of pricing because come month-end and it's balancing your books. The risk is the exciting part.

It helps when you get a problem to talk to the person next to you. I speak to my manager and get input at times when I'm struggling. They're always prepared to help, as long as the effort comes from you. I've grown working for Harmony. They give you responsibility and allow you to make decisions.

SECTION 6

FINANCIAL STATEMENTS

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BALANCE SHEET

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STATEMENT OF SHAREHOLDERS' EQUITY

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NOTES TO THE FINANCIAL STATEMENTS

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INCOME STATEMENT (US\$/IMPERIAL)

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BALANCE SHEET (US\$/IMPERIAL)

SECTION 6

FINANCIAL STATEMENTS

IN OTHER WORDS

We have a strong balance sheet, ideally positioning us to survive profit margin pressure in the short-term, as well as enabling us to fund our long-term growth projects.

We achieved record operating profits in US Dollar terms although the stronger Rand resulted in lower profits in South African Rand terms. We saw our operations generating cash of R 1 767 million for the year. Shareholders were rewarded with a total dividend of R 2.75 per share.

Harmony Gold Mining Company Limited
Consolidated Income Statement
For the year ended 30 June 2003

| Company | | | Group | |
|-----------|-----------|--|-----------|-----------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | Notes | R million | R million |
| 1 829 | 1 882 | Revenue | 8 995 | 7 806 |
| (1 351) | (1 518) | Cash operating costs | (6 621) | (5 215) |
| 478 | 364 | Cash operating profit | 2 374 | 2 591 |
| 468 | 1 036 | Interest and dividends | 273 | 138 |
| 7 | (131) | Other (expenses)/income – net | (173) | 94 |
| (16) | (14) | Employment termination and restructuring costs | (47) | (83) |
| (54) | (29) | Corporate, administration and other expenditure | (72) | (78) |
| - | - | Exploration expenditure | (75) | (61) |
| - | - | Marketing and new business expenditure | (72) | (89) |
| - | - | (Loss)/profit on sale of listed investments | (54) | 46 |
| (187) | (247) | Interest paid | (321) | (230) |
| 696 | 979 | Cash profit | 1 833 | 2 328 |
| (82) | (98) | Depreciation and amortisation | (582) | (308) |
| (16) | 10 | (Provision)/reversal of provision for rehabilitation costs | (5) | (20) |
| 10 | - | Gain on financial instruments | 440 | 48 |
| - | - | (Loss)/profit on mark-to-market of listed investments | (9) | 595 |
| (13) | - | Impairment of assets | (812) | (362) |
| - | - | Income from associates | 57 | - |
| 1 | (2) | Provision for former employees' post retirement benefits | (5) | (2) |
| 596 | 889 | Income before tax | 917 | 2 279 |
| (75) | (21) | Taxation expense | (274) | (583) |
| 521 | 868 | Net income before minority interests | 643 | 1 696 |
| - | - | Minority interests | (4) | (16) |
| 521 | 868 | Net income | 639 | 1 680 |
| | | Basic earnings per share (cents) | 359 | 1 094 |
| | | Fully diluted earnings per share (cents) | 359 | 1 017 |
| | | Basic headline earnings per share (cents) | 661 | 1 316 |
| | | Fully diluted headline earnings per share (cents) | 660 | 1 223 |
| | | Interim dividends per share (cents) | 125 | 75 |
| | | Proposed final dividends per share (cents) | 150 | 425 |
| | | Total dividends per share (cents) | 275 | 500 |

Harmony Gold Mining Company Limited
Consolidated Balance Sheet
At 30 June 2003

| Company | | | Group | |
|-----------------------------------|---------------|--|---------------|---------------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | Notes | R million | R million |
| Assets | | | | |
| Non-current assets | | | | |
| 1 298 | 1 332 | Property, plant and equipment | 9 969 | 9 433 |
| 315 | 290 | Investments | 868 | 1 778 |
| - | 256 | Investment in associates | 1 398 | 291 |
| 6 219 | 7 511 | Investments in subsidiaries | - | - |
| - | - | Deferred taxation asset | 37 | 243 |
| 49 | 1 | Deferred financial asset | 1 | 49 |
| <u>7 881</u> | <u>9 390</u> | Total non-current assets | <u>12 273</u> | <u>11 794</u> |
| Current assets | | | | |
| 211 | 210 | Inventories | 454 | 448 |
| 159 | 364 | Receivables | 771 | 685 |
| 669 | 1 078 | Cash and cash equivalents | 1 687 | 1 441 |
| <u>1 039</u> | <u>1 652</u> | Total current assets | <u>2 912</u> | <u>2 574</u> |
| <u>8 920</u> | <u>11 042</u> | Total assets | <u>15 185</u> | <u>14 368</u> |
| Equity and liabilities | | | | |
| Share capital and reserves | | | | |
| 85 | 92 | Share capital | 92 | 85 |
| 5 462 | 6 782 | Share premium | 6 782 | 5 462 |
| 46 | 23 | Fair value and other reserves | (242) | 88 |
| 835 | 732 | Retained earnings | 1 996 | 2 328 |
| <u>6 428</u> | <u>7 629</u> | Total shareholders' equity | <u>8 628</u> | <u>7 963</u> |
| Minority interest | | | | |
| - | - | Minority interest | 120 | - |
| <u>-</u> | <u>-</u> | Total Minority interest | <u>120</u> | <u>-</u> |
| Non-current liabilities | | | | |
| 1 570 | 2 251 | Long term borrowings | 2 415 | 1 771 |
| 147 | 165 | Deferred taxation liabilities | 1 571 | 1 013 |
| 23 | 30 | Deferred financial liabilities | 284 | 1 020 |
| 134 | 120 | Provision for environmental rehabilitation | 624 | 711 |
| 5 | 5 | Provision for post-retirement benefits | 9 | 9 |
| <u>1 879</u> | <u>2 571</u> | Total non-current liabilities | <u>4 903</u> | <u>4 524</u> |
| Current liabilities | | | | |
| 587 | 855 | Accounts payable and accrued liabilities | 1 376 | 1 648 |
| 25 | (18) | Income and mining taxes | 150 | 228 |
| 1 | 5 | Shareholders for dividends | 8 | 5 |
| <u>613</u> | <u>842</u> | Total current liabilities | <u>1 534</u> | <u>1 881</u> |
| <u>8 920</u> | <u>11 042</u> | Total equity and liabilities | <u>15 185</u> | <u>14 368</u> |

Harmony Gold Mining Company Limited
Consolidated Statement of Shareholders' Equity
For the years ended 30 June 2003

| Notes | Number of ordinary shares issued | Number of options issued | Share capital R million | Share premium R million | Harmony listed options issued | Retained earnings R million | Fair value and other reserves R million | Total R million |
|--|--|--------------------------------|-------------------------------|-------------------------------|--|-----------------------------------|--|--------------------|
| | | | | | R million | | | |
| | | | 19 | 19 | 20 | | 21 | |
| Group | | | | | | | | |
| Balance - 30 June 2001 | 144 553 291 | 16 607 400 | 72 | 3 727 | 69 | 672 | 54 | 4 594 |
| Net income | - | - | - | - | - | 1 680 | - | 1 680 |
| Dividends declared | - | - | - | - | - | (119) | - | (119) |
| Issue of shares | | | | | | | | |
| - Public offerings | 222 300 | - | - | 8 | - | - | - | 8 |
| - International private placement | 8 500 000 | - | 4 | 1 139 | - | - | - | 1 143 |
| Exercise of employee share options | 3 998 800 | - | 2 | 132 | - | - | - | 134 |
| Conversion of preference shares | 10 958 904 | - | 6 | 455 | - | - | - | 461 |
| Share issue expenses | - | - | - | (42) | - | - | - | (42) |
| Conversion of warrants | 1 014 054 | (1 014 054) | 1 | 43 | - | - | - | 44 |
| Listed options expired | - | (7 579 900) | - | - | (69) | 95 | (26) | - |
| Foreign exchange translation | - | - | - | - | - | - | 83 | 83 |
| Mark-to-market of listed and other investments | - | - | - | - | - | - | (87) | (87) |
| Mark-to-market of hedging instruments | - | - | - | - | - | - | 64 | 64 |
| Balance - 30 June 2002 | 169 247 349 | 8 013 446 | 85 | 5 462 | - | 2 328 | 88 | 7 963 |
| Net income | - | - | - | - | - | 639 | - | 639 |
| Dividends declared | - | - | - | - | - | (971) | - | (971) |
| Issue of shares | | | | | | | | |
| - Public offerings | 8 000 000 | - | 3 | 1 059 | - | - | - | 1 062 |
| - Correction of Randfontein offer | 114 750 | - | - | 4 | - | - | - | 4 |
| Exercise of employee share options | 1 846 600 | - | 1 | 64 | - | - | - | 65 |
| Share issue expenses | - | - | - | (47) | - | - | - | (47) |
| Conversion of warrants | 5 645 416 | (5 645 416) | 3 | 240 | - | - | - | 243 |
| Foreign exchange translation | - | - | - | - | - | - | (325) | (325) |
| Mark-to-market of listed and other investments | - | - | - | - | - | - | 41 | 41 |
| Mark-to-market of hedging instruments | - | - | - | - | - | - | (46) | (46) |
| Balance - 30 June 2003 | 184 854 115 | 2 368 030 | 92 | 6 782 | - | 1 996 | (242) | 8 628 |
| Company | | | | | | | | |
| Balance - 30 June 2001 | 144 553 291 | 16 607 400 | 72 | 3 727 | 69 | 364 | - | 4 232 |
| Net income | - | - | - | - | - | 521 | - | 521 |
| Dividends declared | - | - | - | - | - | (119) | - | (119) |
| Issue of shares | | | | | | | | |
| - Public offerings | 222 300 | - | - | 8 | - | - | - | 8 |
| - International private placement | 8 500 000 | - | 4 | 1 139 | - | - | - | 1 143 |
| Exercise of employee share options | 3 998 800 | - | 2 | 132 | - | - | - | 134 |
| Conversion of preference shares | 10 958 904 | - | 6 | 455 | - | - | - | 461 |
| Share issue expenses | - | - | - | (42) | - | - | - | (42) |
| Conversion of warrants | 1 014 054 | (1 014 054) | 1 | 43 | - | - | - | 44 |
| Listed options expired | - | (7 579 900) | - | - | (69) | 69 | - | - |
| Mark-to-market of hedging instruments | - | - | - | - | - | - | 46 | 46 |
| Balance - 30 June 2002 | 169 247 349 | 8 013 446 | 85 | 5 462 | - | 835 | 46 | 6 428 |
| Net income | - | - | - | - | - | 868 | - | 868 |
| Dividends declared | - | - | - | - | - | (971) | - | (971) |
| Issue of shares | | | | | | | | |
| - Public offerings | 8 000 000 | - | 3 | 1 059 | - | - | - | 1 062 |
| - Correction of Randfontein offer | 114 750 | - | - | 4 | - | - | - | 4 |
| Exercise of employee share options | 1 846 600 | - | 1 | 64 | - | - | - | 65 |
| Share issue expenses | - | - | - | (47) | - | - | - | (47) |
| Conversion of warrants | 5 645 416 | (5 645 416) | 3 | 240 | - | - | - | 243 |
| Mark-to-market of listed and other investments | - | - | - | - | - | - | 23 | 23 |
| Mark-to-market of hedging instruments | - | - | - | - | - | - | (46) | (46) |
| Balance - 30 June 2003 | 184 854 115 | 2 368 030 | 92 | 6 782 | - | 732 | 23 | 7 629 |

Harmony Gold Mining Company Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2003

| Company | | | Group | |
|---|--------------|--|----------------|----------------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | Notes | R million | R million |
| Cash flow from operations | | | | |
| 525 | (615) | Cash generated from/(utilised in) operations | 1 767 | 2 436 |
| 309 | 286 | Interest received | 270 | 125 |
| 159 | 750 | Dividends received | 3 | 13 |
| (187) | (247) | Interest paid | (321) | (230) |
| (13) | (46) | Income and mining taxes paid | (402) | (88) |
| <u>793</u> | <u>128</u> | Net cash provided by operations | <u>1 317</u> | <u>2 256</u> |
| Cash flow from investing activities | | | | |
| (27) | (25) | Net increase in amounts invested in environmental trusts | (34) | (61) |
| - | - | Cash held by subsidiaries on acquisition | 79 | 154 |
| - | - | Cash paid for Elandsdraal Mines | - | (210) |
| (17) | - | Cash paid for Free Gold Mines | - | (900) |
| - | - | Cash paid for Hill 50 Mines | - | (1 419) |
| - | - | Cash paid for St. Helena Mines | (60) | - |
| - | - | Cash paid for Abelle Mines | (769) | - |
| - | (5) | Cash paid for Clidet 454 (Pty) Ltd | - | - |
| - | - | Investment in Bendigo Mining NL | - | (292) |
| (188) | - | Investment in Highland Gold acquired | (68) | (188) |
| - | - | Loan repaid by minority interest party | - | 90 |
| - | - | Cash cost to close out hedge positions | (74) | (250) |
| - | - | Proceeds on disposal of listed investments | 876 | 158 |
| (1 897) | 259 | (Increase)/decrease in other investments | (20) | (156) |
| 12 | 5 | Proceeds on disposal of mining assets | 56 | 34 |
| (179) | (126) | Additions to property, plant and equipment | (991) | (733) |
| <u>(2 296)</u> | <u>108</u> | Net cash utilised in investing activities | <u>(1 005)</u> | <u>(3 773)</u> |
| Cash flows from financing activities | | | | |
| 375 | (135) | Long-term borrowings raised – net | (477) | 335 |
| 1 622 | 1 322 | Ordinary shares issued | 1 322 | 1 622 |
| (42) | (47) | Shares issue expenses | (47) | (42) |
| (221) | (967) | Dividends paid | (968) | (221) |
| <u>1 734</u> | <u>173</u> | Net cash generated by financing activities | <u>(170)</u> | <u>1 694</u> |
| <u>-</u> | <u>-</u> | Foreign currency translation adjustments | <u>104</u> | <u>105</u> |
| 231 | 409 | Net increase in cash and cash equivalents | 246 | 282 |
| 438 | 669 | Cash and equivalents - 1 July 2002 | 1 441 | 1 159 |
| <u>669</u> | <u>1 078</u> | Cash and equivalents - 30 June 2003 | <u>1 687</u> | <u>1 441</u> |

Harmony Gold Mining Company Limited
Notes to the Consolidated Financial Statements
For the year ended 30 June 2003

1 ACCOUNTING POLICIES

(a) BASIS OF PREPARATION: The annual financial statements are prepared on the historical cost basis except for certain financial instruments and equity accounted investments, which are carried at fair value. The accounting policies as set out below have been consistently applied, and comply with the accounting standards issued by the International Financial Reporting Standards Board, South African Statements of Generally Accepted Accounting Practice and the South African Companies Act.

(b) USE OF ESTIMATES: The preparation of the financial statements in conformity with South African Statements of Generally Accepted Accounting Practice and International Financial Reporting Standards requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates used by management include the valuation and amortisation of mining assets and investment in associates, the valuation of other investments, as well as estimates of exposure and liabilities with regard to rehabilitation costs, employee benefit liabilities, taxation and hedging and financial derivatives. Actual results could differ from those estimates.

(c) GROUP ACCOUNTING: The consolidated financial information includes the financial statements of the Company, its subsidiaries, its proportionate interest in joint ventures and its interests in associates.

(i) Subsidiaries, which are those entities (including special purpose entities) in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. Subsidiaries are consolidated from the date control is acquired and is no longer consolidated when control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(ii) Investments in associates: An associate is an entity, other than a subsidiary, in which the Group has a material long term interest and in respect of which the Group exercises significant influence over operational and financial policies, normally owning between 20% and 50% of the voting equity, but which it does not control.

Investments in associates are accounted for by using the equity method of accounting based on the most recent audited financial statements or unaudited interim financial statements. Equity accounting involves recognising in the income statement the Group's share of the associate's profit or loss for the period. The Group's interest in the associate is carried in the balance sheet at an amount that reflects the cost of the investment, the share of post acquisition earnings and other movement in reserves. The carrying value of an associate is reviewed on a regular basis and, if an impairment in the carrying value has occurred, it is written off in the period in which such permanent impairment is identified.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. The Group's investment in associates includes goodwill on acquisition, net of accumulated depreciation. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

(iii) Investment in joint ventures: A joint venture is an entity in which the Group holds a long term interest and which is jointly controlled by the Group and one or more venturers under a contractual arrangement. The Group's interest in jointly controlled entities is accounted for by proportionate consolidation. Under this method the Group includes its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line by line basis with similar items in the Group's financial statements.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

Notes to the Consolidated Financial Statements - continued

(iv) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associate, joint venture or business at the date of acquisition. Goodwill on acquisition of subsidiaries, joint venture and businesses is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is amortised using the straight-line method over the estimated life of the underlying asset. Management determines the estimated useful life of goodwill based on its evaluation of the respective companies at the time of the acquisition, considering factors such as potential growth and other factors inherent in the acquired companies.

At each balance sheet date the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

The gain or loss on disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

(d) FOREIGN CURRENCIES:

(i) Foreign entities: For self sustaining foreign entities, assets and liabilities are translated using the closing rates at year end, and income statements and cash flows are translated at the average rates for the year. Differences arising on translation are taken directly to shareholders' equity, until the foreign entity is sold or otherwise disposed of, when the translation differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of the foreign entities are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(ii) Foreign currency transactions: The South African Rand is the functional currency of the Group.

Transactions in foreign currencies are converted at the rates of exchange ruling at the date of these transactions. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at balance sheet date. Gains and losses and costs associated with foreign currency transactions are recognised in the income statement in the period to which they relate. These transactions are included in the determination of other income - net.

(iii) Convenience translations: The consolidated income statement and the consolidated balance sheet have been expressed in United States Dollars for information purposes.

For this purpose, the consolidated income statement was translated at the average rate for the year and the consolidated balance sheet at the exchange rate ruling at the balance sheet date.

(e) FINANCIAL INSTRUMENTS are initially measured at cost, including transaction costs. Subsequent to initial recognition these instruments are measured as set out below. Financial instruments carried on the balance sheet include cash and bank balances, money market instruments, investments, receivables, trade creditors and borrowings.

(f) CASH AND CASH EQUIVALENTS are defined as cash on hand, deposits held at call with banks and short term highly liquid investments with insignificant interest rate risk and original maturities of three months or less. Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

(g) INVESTMENTS:

(i) Listed investments: Investments in listed companies, other than investments in subsidiaries, joint ventures and associates, are carried at market value. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Changes in the carrying amount of strategic investments are credited to shareholders' equity. Movement in the carrying amount of trading securities are charged to the income statement. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged to the income statement. On disposal of strategic investments, amounts in the revaluation and other reserves relating to that security are transferred to the income statement.

Notes to the Consolidated Financial Statements - continued

(ii) Unlisted investments are reflected at fair value, or cost where fair value cannot reliably be measured. Fair value is based on directors' valuation. If the directors are of the opinion that there has been a permanent impairment in the value of these investments, they are written down and recognised as an expense in the period in which the impairment is recognised. Changes in the carrying amount of strategic investments are credited to shareholders' equity.

(h) INVENTORIES which include gold in process and supplies, are stated at the lower of cost or net realisable value after appropriate allowances for redundant and slow moving items.

Stores and materials consist of consumable stores and are valued at average cost after appropriate provision for redundant and slow moving items.

Bullion on hand and gold in process represent production on hand after the smelting process for the Group's underground operations, predominantly located in South Africa. Due to the different nature of the Group's open pit operations, predominantly located in Australia, gold in process represents either production in broken ore form or production from the time of placement on heap leach pads. It is valued using the weighted average cost method. Cost includes average production costs at the relevant stage of production.

The Group assesses the gold content of broken ore or ore placed on heap leach pads by reference to the historical recovery factor obtained for the type of broken ore and ore added to the heap leach pad.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

(i) RECEIVABLES: Accounts receivable are stated at the gross invoice value adjusted for payments received less impairment of these receivables, where appropriate, to reflect the fair value of the anticipated realisable value. Bad debts are written off during the period in which they are identified.

(j) ACCOUNTS PAYABLE are stated at cost adjusted for payments made to reflect the value of the anticipated economic outflow of resources.

(k) HEDGING: All derivative financial instruments are recognised on the balance sheet at their fair value, unless they meet the criteria for normal purchase, normal sales exemption.

On the date a derivative contract is entered into, the Group designates for accounting purposes as either:

- a) a hedge of the fair value of a recognised asset or liability (fair value hedge);
- b) a hedge of a forecasted transaction (cash flow hedge);
- c) a hedge of a net investment in a foreign entity; or
- d) a derivative to be marked to market.

Certain derivative transactions, however while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting.

Changes in the fair value of a derivative that is highly effective, and that is designated and qualifies as a fair value hedge, are recorded in the income statement, along with the change in fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of a derivative that is highly effective, and that is designated and qualifies as a cash flow hedge, are recognised directly in equity. Amounts deferred in equity are included in the income statement in the same period during which the hedged firm commitment or forecasted transaction affects net profit or loss.

Hedges of net investment in foreign entities are accounted for similarly to cash flow hedges.

Recognition of derivatives which meet the criteria for the normal purchases, normal sales exemption under the Accounting Standards are not recognised until settlement. Under these contracts the Group must physically deliver a specified quantity of gold at a future date at a specified price and to the contracted counter party.

Changes in the fair value of derivatives which are not designated as hedges, and do not qualify for hedge accounting are recognised in the income statement.

Notes to the Consolidated Financial Statements - continued

(l) BORROWINGS are recognised at amortised cost, comprising original debt less principal payments and amortisations, using the effective yield method.

(m) EXPLORATION COSTS are expensed as incurred. When a decision is taken that a mining property is capable of commercial production, all further pre-production expenditure, including evaluation costs, are capitalised. Costs related to property acquisitions and mineral and surface rights are capitalised. Where the directors consider that there is little likelihood of the properties or rights being exploited or the value of the exploration rights have diminished below cost, a write down is effected against exploration expenditure.

(n) PROPERTY, PLANT AND EQUIPMENT

(i) Mining assets including mine development costs and mine plant facilities are initially recorded at cost, whereafter it is recorded at cost less accumulated amortisation and impairment. Costs include pre-production expenditure incurred in the development of the mine and the present value of future decommissioning costs. Interest on borrowings to specifically finance the establishment of mining assets is capitalised until commercial levels of production are achieved. Development costs incurred to evaluate and develop new orebodies, to define mineralisation in existing orebodies to establish or expand productive capacity are capitalised. Mine development costs in the ordinary course of business to maintain production are expensed as incurred. Initial development and pre-production costs relating to a new orebody are capitalised until the orebody achieves commercial levels of production at which time the costs are amortised as set out below.

Stripping costs incurred during the production phase to remove waste ore are deferred and charged to operating costs on the basis of the average life of mine stripping ratio. The average stripping ratio is calculated as the number of tonnes waste material removed per tonne of ore mined. The average life of mine ratio is revised annually in the light of additional knowledge and change in estimates. The cost of "excess stripping" is capitalised as mine development costs when the actual stripping ratio exceeds the average life of mine stripping ratio.

(ii) Mining operations placed on care and maintenance: The net assets of operations placed on care and maintenance are written down to net realisable value. Expenditure on the care and maintenance of these operations is charged against income, as incurred.

(iii) Non-mining fixed assets: Land is shown at cost and not depreciated. Buildings and other non-mining fixed assets are shown at cost less accumulated depreciation.

(iv) Depreciation and amortisation of mining assets: Depreciation and amortisation of mineral property interests, mineral and surface rights, mine development costs and mine plant facilities are computed principally by the units of production method based on estimated proved and probable reserves. Proved and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in future from known mineral deposits. Amortisation is first charged on mining ventures from the date on which the mining ventures reach commercial production quantities.

(v) Depreciation and amortisation of non-mining fixed assets: Other non-mining fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:

- Vehicles at 20% per year;
- Computer equipment at 33.3% per year;
- Computer software at 50% per year; and
- Furniture and equipment at 16.67% per year.

(vi) Impairment: The recoverability of the carrying value of the long-term assets of the Group, which include development costs are annually compared to the recoverable amount of the assets, or whenever events or changes in circumstances indicate that the net book value may not be recoverable. The recoverable amount is the higher of value in use and net selling price.

In assessing the value in use, the expected future cash flows from the asset is determined by applying a discount rate to the anticipated pre-tax future cash flows. The discount rate used is the Group's weighted average cost of capital as determined by the capital asset pricing model. An impairment is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount, to the extent that the carrying amount exceeds the asset's recoverable amount. The revised carrying amount is amortised in line with Group accounting policies.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount. This reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

Notes to the Consolidated Financial Statements - continued

The estimates of future discounted cash flows are subject to risks and uncertainties, including the future gold price and exchange rates. It is therefore reasonably possible that changes could occur which may affect the recoverability of mining assets.

(o) ENVIRONMENTAL OBLIGATIONS: Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the Group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

The net present value of future rehabilitation cost estimates are recognised and provided for in full in the financial statements. The estimates are reviewed annually and are discounted using rates that reflect the time value of money.

Annual changes in the provision consist of finance cost relating to the change in the present value of the provision and inflationary increases in the provision estimate, as well as changes in estimates. The present value of environmental disturbances created are capitalised to mining assets against an increase in the rehabilitation provision. The rehabilitation asset is amortised as noted in the Group's accounting policy. Rehabilitation projects undertaken included in the estimates are charged to the provision as incurred. The cost of ongoing current programmes to prevent and control pollution is charged against income as incurred.

(p) ENVIRONMENTAL TRUST FUNDS: Annual contributions are made to the Group's trust funds, created in accordance with statutory requirements, to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the life of the Group's mines. Contributions are determined on the basis of the estimated environmental obligation over the life of the mine. Income earned on monies paid to environmental trust funds is accounted for as investment income. The funds contributed to the trusts plus growth in the trust funds are included under investments on the balance sheet.

(q) PROVISIONS are recognised when the Group has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(r) DEFERRED TAXATION: The Group follows the comprehensive liability method of accounting for deferred tax using the balance sheet approach. Under this method deferred income and mining taxes are recognised for the tax consequences of temporary differences by applying expected tax rates to the differences between the tax base of certain assets or liabilities and its balance sheet carrying amount. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

The principal temporary differences arise from amortisation and depreciation on property, plant and equipment, provisions, post retirement benefits, tax losses and/or unutilised capital allowances carried forward. Deferred tax assets relating to the carry forward of unutilised tax losses and/or unutilised capital allowances are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and/or unutilised capital allowances can be utilised.

(s) PENSION PLANS AND OTHER EMPLOYEE BENEFITS:

(i) Pension plans are funded through annual contributions. The Group's contributions to the defined contribution pension plans are charged to the income statement in the year to which they relate. The Group's liability is limited to its annually determined contributions.

(ii) Medical plans: The Group provides medical cover to current employees and certain retirees through multiple funds. The medical accounting costs for the defined benefit plan are assessed using the projected unit credit method. The health care obligation is measured as the present value of the estimated future cash outflows using market yields consistent with the term and risks of the obligation. Actuarial gains and losses as a result of these valuations are recognised in the income statement at revaluation date. No contributions are made for employees retiring after 30 June 1996. A liability for retirees and their dependants prior to this date is accrued in full, based on actuarial valuations prepared every three years.

(iii) Equity compensation benefits: The Group grants share options to certain employees under an employee share plan. Costs incurred in administering the scheme are expensed as incurred. No compensation cost is recognised in these financial statements for options or shares granted to employees from employee share plans.

Notes to the Consolidated Financial Statements- continued

(t) REVENUE RECOGNITION:

(i) Revenue represents gold sales and is recognised when the risks and rewards of ownership has passed to the buyer with delivery from the refinery. Sales revenue excludes value added tax but includes the net profit and losses arising from financial derivatives that meet the definition of normal sale to the extent that they relate to that metal and have been matched at the date of the financial statements.

(ii) Interest income: Interest is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

(iii) Dividend income is recognised when the shareholder's right to receive payment is established at the last date of registration.

(u) DIVIDENDS DECLARED: Dividends proposed and the related transactions thereon are recognised when declared by the Board of directors. The dividends paid therefore relate to those declared in the current financial year. Dividends are payable in South African Rands.

Dividends declared which are payable to foreign shareholders are subject to approval by the South African Reserve Bank in terms of South African foreign exchange control regulations. In practice, dividends are freely transferable to foreign shareholders.

(v) SEGMENTAL REPORTING: The primary reporting format of the Group is by business segment. As there is only one business segment, being mining, extraction and production of gold, the relevant disclosures have been given in the financial statements. The secondary reporting format is by geographical analysis by origin. The accounting policies of the segments are the same as those described in the other accounting policy notes.

(w) COMPARATIVES: Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year.

Notes to the Consolidated Financial Statements - continued

2 CASH OPERATING COSTS

| Company | | | Group | |
|--|--------------|-------------------------------------|--------------|--------------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| Cash operating costs include mine production, transport and refinery costs, general and administrative costs, movement in inventories and ore stockpiles as well as transfers to and from deferred stripping. These costs, analysed by nature, consist of the following: | | | | |
| 658 | 921 | Labour costs, including contractors | 3 515 | 2 458 |
| 261 | 345 | Stores and materials | 1 597 | 1 101 |
| 142 | 177 | Water and electricity | 762 | 475 |
| 22 | 23 | Hospital costs | 89 | 73 |
| (8) | 25 | Changes in inventory | 2 | (23) |
| 276 | 27 | Other | 656 | 1 131 |
| <u>1 351</u> | <u>1 518</u> | | <u>6 621</u> | <u>5 215</u> |

3 INCOME BEFORE TAX

| Company | | | Group | |
|--|-----------|-------------------------------|-----------|-----------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| The following have been included in income before tax: | | | | |
| 6 | 7 | Professional fees | 27 | 32 |
| 1 | 2 | Auditors' remuneration | 5 | 5 |
| <u>1</u> | <u>1</u> | Fees - current year | <u>4</u> | <u>2</u> |
| - | 1 | Fees - other services | 1 | 3 |

4 OTHER (EXPENSES)/INCOME - NET

| Company | | | Group | |
|------------|--------------|---|--------------|-------------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| 9 | 4 | Profit on sale of property, plant and equipment | 39 | 21 |
| 4 | (131) | Foreign exchange (losses)/gains | (192) | 99 |
| <u>(6)</u> | <u>(4)</u> | Other (expenditure)/income - net | <u>(20)</u> | <u>(26)</u> |
| <u>7</u> | <u>(131)</u> | | <u>(173)</u> | <u>94</u> |

Notes to the Consolidated Financial Statements - continued

5 EMPLOYMENT TERMINATION AND RESTRUCTURING COSTS

| Company | | | Group | |
|-------------------|-------------------|-----------------------------|-------------------|-------------------|
| 2002 R million | 2003 R million | | 2003 R million | 2002 R million |
| 16 | 14 | Free State | 14 | 16 |
| - | - | Randfontein and Elandskraal | 17 | 36 |
| - | - | Evander | 11 | 2 |
| - | - | Australian operations | 5 | 32 |
| - | - | Bissett mine | - | (3) |
| 16 | 14 | | 47 | 83 |

The continued process of restructuring at the Free State, Randfontein, Elandskraal and Evander operations as a result of the declining Rand per kilogram gold price, has resulted in excess labour, which could not be accommodated on other shafts, becoming redundant. In May 2003 Harmony announced that the Big Bell Gold Operations had exhausted all economically viable resources at prevailing or immediately foreseeable Australian Dollar gold prices and would cease production in July 2003. A provision was raised to cover the estimated cost of terminating the employment of 57 employees.

During the year ended 30 June 2002, the closure of Virginia 2 shaft and Harmony 4 shaft in the Free State resulted in certain excess labour, which could not be accommodated on other shafts, becoming surplus and made redundant. Elandskraal continued the process of restructuring, which was started in the 2001 year, which led to certain positions becoming redundant. The acquisition of Hill 50 in Australia resulted in the merger of the New Hampton and Hill 50 operations, which led to certain restructuring and employment termination costs being incurred. The Bissett mine was placed on care and maintenance on 30 June 2001 due to the mining operations being uneconomic at gold prices at that time. As restructuring has been completed, over-provisions on restructuring have been reversed.

6 (LOSS)/PROFIT ON SALE OF LISTED INVESTMENTS

| Company | | | Group | |
|-------------------|-------------------|---|-------------------|-------------------|
| 2002 R million | 2003 R million | | 2003 R million | 2002 R million |
| - | - | (Loss)/profit on sale of listed investments | (54) | 46 |

During the 2003 financial year the Placer Dome shares, acquired at a total cost of R244 million, were disposed of. This investment was previously marked to market by R595 million, resulting in a loss of R54 million on disposal.

As part of the initial public offering of ArmGold Ltd, Harmony subscribed to 2 860 000 shares at R38,67 per share. These shares were disposed of during the year ended 30 June 2002.

7 (LOSS)/PROFIT ON MARK-TO-MARKET OF LISTED INVESTMENTS

| Company | | | Group | |
|-------------------|-------------------|---|-------------------|-------------------|
| 2002 R million | 2003 R million | | 2003 R million | 2002 R million |
| - | - | Mark-to-market of shares in listed companies | - | 595 |
| - | - | Mark-to-market of options in listed companies | (9) | - |
| - | - | (Loss)/profit on mark-to-market of listed investments | (9) | 595 |

With the purchase of Harmony's 31.8% interest in Bendigo Mining NL, the Company has also been granted options to acquire 360 million shares in Bendigo any time before 31 December 2003 at Australian \$0.30 per share. These options were valued at R3 million as at 30 June 2003, resulting in a loss on the mark-to-market of these options of R9 million.

On 30 June 2002, a gain was recorded on the mark-to-market of listed investments of R595 million. These shares, which were purchased at Australian \$ 1.29 per share, were revalued at Australian \$ 3.93 per share at year end.

Notes to the Consolidated Financial Statements - continued

8 (IMPAIRMENT)/REVERSAL OF IMPAIRMENT OF ASSETS

| Company | | | Group | |
|-----------|-----------|------------------------|-----------|-----------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| (13) | - | Free State operations | - | 63 |
| - | - | Randfontein operations | - | 12 |
| - | - | Australian operations | (812) | (437) |
| (13) | - | | (812) | (362) |

The Australian operations have reduced their reserve base from 2.3 million ounces in 2002 to 1.5 million ounces due to the current strength of the Australian Dollar compared to the US Dollar. This has resulted in a significant impairment to the carrying value of these assets in Harmony's balance sheet.

The higher Rand gold price as at the end of June 2002, had resulted in significantly more economically mineable reserves being available at some of the other shafts, which has extended the life of several shafts and made them more profitable. Therefore some of the impairments of prior years have been reversed during the 2002 financial year.

Harmony completed the redevelopment programme at New Hampton's Big Bell underground mine during the year ended 30 June 2002. Production indicated however that the grade was significantly less than expected. Therefore it had been deemed prudent to reduce the grade estimates for future production, which gave rise to a severe cut in the underground reserves at this mine. This resulted in a significant impairment to the carrying value of this asset in Harmony's balance sheet.

9 TAXATION EXPENSE

The components of the taxation expense are the following:

| Company | | | Group | |
|-----------|-----------|-------------------------------------|-----------|-----------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| | | South African taxation | | |
| - | (3) | Mining tax | (158) | (198) |
| (42) | - | Non-mining tax | (26) | (62) |
| (33) | (18) | Deferred tax | (292) | (223) |
| | | Foreign taxation | | |
| - | - | Current tax | (155) | (5) |
| - | - | Prior year adjustment | 45 | - |
| - | - | Deferred tax - normal | 98 | (95) |
| - | - | Deferred tax - impairment of assets | 214 | - |
| (75) | (21) | Total taxation expense | (274) | (583) |

Mining tax on mining income is determined on a formula basis which takes into account the profit and revenue from mining operations during the year. Non-mining income is taxed at a standard rate. Mining and non-mining income of Australian operations are taxed at a standard tax rate. Deferred tax is provided at the estimated expected future mining tax rate for temporary differences. Major items causing the Company's income tax provision to differ from the mining statutory tax rate of 46% (2002: 46%) were:

| Company | | | Group | |
|-----------|-----------|---|-----------|-----------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| (274) | (409) | Tax on net income at statutory mining tax rate | (422) | (1 041) |
| - | - | Valuation allowance raised against deferred tax assets | 16 | 53 |
| 93 | 322 | Non-taxable income / additional deductions | 58 | (50) |
| 42 | 22 | Rate adjustment to reflect estimated effective mining tax rate | (85) | 324 |
| 42 | 44 | South African mining formula tax rate adjustment | 94 | 98 |
| 22 | - | Difference between non-mining tax rate and mining statutory rate on non-mining income | 65 | 33 |
| (75) | (21) | Income and mining tax expense | (274) | (583) |
| 13% | 2% | Effective income and mining tax rate | 30% | 26% |

Notes to the Consolidated Financial Statements - continued

Deferred income and mining tax liabilities and assets on the balance sheet as of 30 June 2003 and 30 June 2002, relate to the following:

| Company | | | Group | |
|-----------|-----------|---|-----------|-----------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| | | Deferred income and mining tax liabilities | | |
| 168 | 176 | Depreciation and amortisation | 1 337 | 1 257 |
| 14 | 9 | Product inventory not taxed | 31 | 33 |
| - | - | Other (mainly Australian Operations) | 650 | 198 |
| 182 | 185 | Gross deferred income and mining tax liability | 2 018 | 1 488 |
| (35) | (20) | Net deferred income and mining tax assets | (484) | (718) |
| - | - | Deferred financial liability | (5) | (238) |
| - | - | Unredeemed capital expenditure | (273) | (416) |
| (35) | (20) | Provisions, including rehabilitation accruals | (151) | (34) |
| - | - | Tax losses | (55) | (30) |
| 147 | 165 | | 1 534 | 770 |

The Group's net deferred tax liability is made up as follows:

| | Group | |
|--------------------------|-----------|-----------|
| | 2003 | 2002 |
| | R million | R million |
| Deferred tax assets | (37) | (243) |
| Deferred tax liabilities | 1 571 | 1 013 |
| | 1 534 | 770 |

The movement in the net deferred tax liability recognised in the balance sheet is as follows:

| Company | | | Group | |
|-----------|-----------|---|-----------|-----------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| 114 | 147 | At the beginning of the year | 770 | 368 |
| - | - | Acquired through the purchase of subsidiaries and businesses and the finalisation of purchase prices of subsidiaries and businesses | 702 | 94 |
| 33 | 18 | Total charge per income statement | (20) | 318 |
| - | - | Foreign currency translation adjustments | 82 | (10) |
| 147 | 165 | At the end of the year | 1 534 | 770 |

As at 30 June 2003 the Group has unredeemed capital expenditure of R1 450 million (2002: R1 573 million) and tax losses carried forward of R64 million (2002: R93 million) available for deduction against future mining income. These future deductions are utilisable against mining income generated only from the Group's current mining operations and does not expire unless the Group ceases to trade for a period longer than one year.

10 MINORITY INTERESTS

The Company initiated a takeover of Abelle Limited on 26 February 2003. The offer closed on 30 April 2003. At 30 June 2003 Harmony held a controlling interest of 87%, with three members appointed to the board of Abelle on 5 May 2003. The remaining 13% shareholders are treated as a minority interest since this date.

With effect from 1 April 2002, Harmony re-acquired the 10% participation interest in the Elandskraal Mine that it had sold to a subsidiary of Khuma Bathong, a Black Economic Empowerment Company (BEE). This has allowed Khuma Bathong to realise its investment and pursue other opportunities in the South African mining industry. The aggregate consideration paid by Harmony to Khuma Bathong was R210 million. This was netted off against the remaining R91 million due to Harmony under its original loan of 24 April 2001 to Khuma Bathong. This 10% participation interest in Elandskraal had been disposed of in the 2001 financial year, and minority interest had been separately accounted for during the year ended 30 June 2002.

Notes to the consolidated Financial Statements - continued

11 EARNINGS PER SHARE

| | Group | |
|--|-------------|--------------|
| | 2003 | 2002 |
| | R million | R million |
| Basic earnings per share | | |
| Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted number of ordinary shares in issue during the year. | | |
| Net income attributable to shareholders | 639 | 1 680 |
| Weighted average number of ordinary shares in issue | 177 954 245 | 153 509 862 |
| Basic earnings per share (cents) | 359 | 1 094 |
| Fully diluted earnings per share | | |
| For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all share options granted and warrants in issue. The average number of options used in the calculation of diluted earnings per share is calculated by taking the average number of ordinary options allocated in terms of the share option scheme multiplied by the weighted average option price divided by the average price of the ordinary shares on the Johannesburg Securities Exchange of South Africa. | | |
| Weighted average number of ordinary shares in issue | 177 954 245 | 153 509 862 |
| Adjustments for share options | (1 212 837) | 7 346 070 |
| Adjustments for warrants in issue | 1 570 214 | 4 361 156 |
| Weighted average number of ordinary shares for fully diluted earnings per share | 178 311 622 | 165 217 088 |
| Fully diluted earnings per share (cents) | 359 | 1 017 |
| Headline earnings per share | | |
| The calculation of headline earnings per share is based on the basic earnings per share calculation adjusted for the following items: | | |
| Net income attributable to shareholders | 639 | 1 680 |
| Profit on sale of assets | (61) | (21) |
| Net impairment of assets | 598 | 362 |
| Headline earnings | 1 176 | 2 021 |
| Basic headline earnings per share (cents) | 661 | 1 316 |
| Fully diluted headline earnings per share (cents) | 660 | 1 223 |

12 DIVIDENDS DECLARED

| | Group | |
|---|-----------|-----------|
| | 2003 | 2002 |
| | R million | R million |
| Interim dividend no. 76 of 125 cents per share (2002: dividend no. 74 of 75 cents) | 230 | 119 |
| Final dividend no. 75 for 2002 of 425 cents per share | 741 | - |
| | 971 | 119 |

The dividends proposed are as follows:

| | Group | |
|--|-----------|-----------|
| | 2003 | 2002 |
| | R million | R million |
| Dividends proposed | | |
| Final dividend no. 77 proposed of 150 cents per share (2002: dividend no. 75 proposed of 425 cents) | 291 | 741 |
| Dividend cover based on total declared and proposed (times) | | |
| Based on attributable income | 1.2 | 2.0 |
| Based on headline earnings | 2.3 | 2.4 |

Notes to the consolidated Financial Statements - continued

The final dividend in respect of the 2003 financial year was approved on 1 August 2003. These financial statements do not reflect the final dividend proposed. It will be accounted for in the 2004 financial year.

The final dividend in respect of the 2002 financial year was approved on 2 August 2002. The 2002 financial statements did not reflect the final dividend proposed. It was accounted for in the 2003 financial year.

13 PROPERTY, PLANT AND EQUIPMENT

| Company | | | Group | |
|-------------------|-------------------|---|-------------------|-------------------|
| 2002 R million | 2003 R million | | 2003 R million | 2002 R million |
| 1 297 | 1 331 | Mining properties, mine development costs and mine plant facilities | 9 831 | 9 285 |
| 1 | 1 | Other non-mining assets | 138 | 148 |
| <u>1 298</u> | <u>1 332</u> | | <u>9 969</u> | <u>9 433</u> |

Mining properties, mine development costs and mine plant facilities

| Company | | | Group | |
|-------------------|-------------------|--|-------------------|-------------------|
| 2002 R million | 2003 R million | | 2003 R million | 2002 R million |
| 2 267 | 2 361 | Cost at beginning of year | 14 387 | 8 771 |
| - | - | Acquired through the purchase of subsidiaries | 1 394 | 3 843 |
| - | - | Acquired through the purchase of businesses | 72 | - |
| 95 | 126 | Additions | 857 | 735 |
| (1) | - | Disposals | (20) | (22) |
| - | - | Foreign currency translation adjustments | (540) | 1 060 |
| <u>2 361</u> | <u>2 487</u> | | <u>16 150</u> | <u>14 387</u> |
| 1 057 | 1 064 | Accumulated depreciation and amortisation at beginning of period | 5 102 | 3 498 |
| - | - | Acquired through the purchase of subsidiaries | - | 515 |
| (70) | - | Impairment of fixed assets | 812 | 355 |
| - | - | Disposals | (6) | (8) |
| - | - | Foreign currency translation adjustments | (158) | 447 |
| 77 | 92 | Charge for the period | 569 | 295 |
| <u>1 064</u> | <u>1 156</u> | | <u>6 319</u> | <u>5 102</u> |
| <u>1 297</u> | <u>1 331</u> | Net book value | <u>9 831</u> | <u>9 285</u> |

Other non-mining assets

| Company | | | Group | |
|-------------------|-------------------|--|-------------------|-------------------|
| 2002 R million | 2003 R million | | 2003 R million | 2002 R million |
| 28 | 28 | Cost at beginning of year | 193 | 189 |
| - | - | Additions | 1 | 6 |
| - | - | Disposals | (3) | (3) |
| - | - | Foreign currency translation adjustments | (1) | 1 |
| <u>28</u> | <u>28</u> | | <u>190</u> | <u>193</u> |
| 27 | 27 | Accumulated depreciation and amortisation at beginning of period | 45 | 38 |
| - | - | Disposals | - | (3) |
| - | - | Foreign currency translation adjustments | (1) | 2 |
| - | - | Charge for the period | 8 | 8 |
| <u>27</u> | <u>27</u> | | <u>52</u> | <u>45</u> |
| <u>1</u> | <u>1</u> | Net book value | <u>138</u> | <u>148</u> |
| <u>1 298</u> | <u>1 332</u> | Total net book value | <u>9 969</u> | <u>9 433</u> |

Other non-mining assets consist of mineral subscription and participation rights, freehold land, computer equipment and motor vehicles.

Notes to the consolidated Financial Statements - continued

14 INVESTMENTS

| Company | | | Group | |
|-----------|-----------|--|-----------|-----------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| | | Listed investments | | |
| - | - | Investment in Placer Dome Asia Pacific Limited (a) | - | 988 |
| - | 164 | Investment in High River Gold Mines Limited (b) | 164 | - |
| - | - | Investment in Midas Resources Limited (c) | 5 | - |
| - | 164 | Total listed investments | 169 | 988 |
| | | Other investments | | |
| 188 | - | Investment in Highland Gold Limited (d) | - | 188 |
| 3 | 3 | Unlisted investments and loans (e) | 41 | 26 |
| 44 | 72 | Amounts contributed to environmental trust funds (f) | 606 | 487 |
| 80 | 51 | Loan to Harmony Share Trust (g) | 52 | 89 |
| 315 | 126 | | 699 | 790 |
| 315 | 290 | Total investments | 868 | 1 778 |

(a) The investment consisted of 43 350 992 shares in Aurion Gold Limited (previously Goldfields Australia Limited) valued at R22.78 per share. The shares are listed on the Australian Stock Exchange. The market value of these shares at the close of business on 30 June 2002 by reference to stock exchange quoted prices and closing exchange rates was R988 million. On 29 July 2002, this investment was disposed of to Placer Dome Asia Pacific Limited for a total consideration of R764 million. R83 million was paid in cash and R681 million by way of exchange for shares in Placer Dome. This investment was subsequently disposed of at a total loss of R54 million. No dividends were received during the year from Placer Dome (2002: R11 million).

(b) On 22 November 2002, the Company purchased 17 074 861 shares in High River Gold Mines Limited for R141 million. High River Gold Mines Limited is a company subject to the laws of Ontario, Canada, that is listed on the Toronto Stock Exchange and holds gold mining assets in Russia, Canada and West Africa. This 21% investment was acquired at a discount of 16% (\$0.85 cents per share) from the 30 day weighted average share price for the 30 day period prior to the execution of the agreement with Jipangu, a Japanese investment house. Share issues subsequent to acquisition has effectively diluted the Company's shareholding to 16%. The market value of the investment was R164 million on 30 June 2003, resulting in an increase of R23 million since acquisition, which is reflected as equity reserves. Refer to note 21 for more detail.

(c) In February 2003 Aurora Gold WA (Pty) Ltd, a subsidiary of Abelle Limited, sold its Lake Carey tenements to Midas Resources Limited. The consideration received was A\$ 3 million plus 10 000 000 ordinary shares, fully paid, issued at A\$ 0.20 per share. As at 30 June 2003 the market value of the shares in Midas Resources was R5 million (A\$ 0.10 per share). Midas Resources Limited is a gold exploration company, which is listed on the Australian Stock Exchange.

(d) The company acquired a strategic 32.5% shareholding in Highland Gold Limited on 31 May 2002 for US\$18 million. Highland Gold Limited is a Jersey based company which holds Russian gold assets, comprising a producing gold mine together with projects and potential projects at various stages of development. The investment has been accounted for as an investment in an associate in July 2002, when the Company appointed a director on the board of Highland Gold Limited.

(e) Unlisted investments comprise various industry related investments and loans, which have been valued by the directors. The directors of the Company perform independent valuations of the investments on an annual basis to ensure that no permanent impairment in the value of the investments has occurred. No dividends were received from these investments during the current financial year (2002: R2 million).

(f) The environmental trust funds are irrevocable trusts under the Group's control. The monies in the trusts are invested primarily in interest bearing short-term and other investments and approximate their fair value. These investments provide for the estimated cost of rehabilitation during and at the end of the life of the Group's mines. Income earned on monies paid to the trusts is accounted for as investment income. The funds contributed to the trusts are included under held to maturity investments. These investments are restricted in use and may only be used to fund the Group's approved rehabilitation costs.

(g) A loan of R52 million (2002: R89 million) was made to the Harmony Share Trust to acquire 1 382 842 shares (2002: 2 716 600 shares) for employees participating in the Harmony Share Option Scheme. Refer to note 28 for detail on the share option scheme.

Notes to the consolidated Financial Statements - continued

15 INVESTMENT IN ASSOCIATES AND SUBSIDIARIES

Listed investment in associates

| Company | | | Group | |
|-------------------|-------------------|-----------------------------------|-------------------|-------------------|
| 2002 R million | 2003 R million | | 2003 R million | 2002 R million |
| - | - | Opening carrying amount (a) | 291 | - |
| - | 256 | Shares acquired at cost (b and c) | 1 102 | 306 |
| - | - | Mark-to-market of listed options | (9) | - |
| - | - | Share of results after tax | 57 | (14) |
| - | 256 | | 1 441 | 292 |
| - | - | Exchange differences | (43) | (1) |
| - | 256 | Closing carrying amount | 1 398 | 291 |

(a) As at 30 June 2003 the Group held 294 222 437 shares in Bendigo Mining NL, a company incorporated in Australia. The investment represents 31.8% interest in a single project gold company, listed on the Australian Stock Exchange. The company is developing virgin underground orebodies which have been proved to exist beneath old workings which made up this gold field, which closed in the early 1950's after 100 years of continuous production. During the year ended 30 June 2002, all pre-production costs were capitalised. The market value of this investment as determined by closing prices on the Australian Stock Exchange at the close of business and closing exchange rates amounted to R276 million (2002: R503 million). Harmony has also been granted options to acquire 360 million shares in Bendigo any time before 31 December 2003 at Australian \$0.30 per share. Included in the income statement is an amount of R9 million relating to a loss on the mark-to-market of these listed options. Refer to note 7 for more detail.

The Group's interest of 31.8% in the summarised balance sheet of Bendigo Mining NL is as follows:

| | 2003 R million | 2002 R million |
|-------------------------|-------------------|-------------------|
| Capital and reserves | 36 | 79 |
| Non-current liabilities | 3 | 2 |
| | 39 | 81 |
| Fixed assets | 8 | 6 |
| Net current assets | 31 | 75 |
| | 39 | 81 |

(b) The Company acquired a strategic shareholding of 32 500 000 shares in Highland Gold Limited on 31 May 2002, for R188 million. On listing on the Alternative Investment Market of the London Stock Exchange in December 2002, Highland Gold issued additional shares. This diluted the Company's initial investment of 32.5% to 31.7% after an additional 2 511 947 shares were purchased for R68 million. Highland Gold is a Jersey based company which holds Russian gold assets, comprising a producing gold mine together with projects and potential projects at various stages of development. Highland Gold's financial year ended at 31 December 2002. For the remainder of the Group's accounting period, unaudited management accounts were used to compile the Group's results. The market value of this investment as determined by closing prices on the Alternative Investment Market of the London Stock Exchange at the close of business and closing exchange rates amounted to R963 million.

The Group's interest of 31.7% in the summarised balance sheet of Highland Gold Limited as at 30 June 2003 is as follows:

| | 2003 R million | 2002 R million |
|--------------------------|-------------------|-------------------|
| Capital and reserves | 229 | - |
| Non-current liabilities | 38 | - |
| | 267 | - |
| Fixed assets | 126 | - |
| Other non-current assets | 41 | - |
| Net current assets | 100 | - |
| | 267 | - |

Notes to the consolidated Financial Statements - continued

(c) The Group has acquired a 17.25% interest in Anglovaal Mining Ltd (Avmin) through its 50% interest in a joint venture with ARMgold Limited, Clidet 454 (Pty) Ltd. (Refer to note 16(b)). The joint venture company purchased 27 786 362 shares in Avmin from Anglo American Plc for R1 209 million on 8 May 2003 and a further 11 003 399 shares for R478 million on 14 May 2003, giving a combined interest of 34.5% in the issued share capital of Avmin. Avmin is listed on the Johannesburg Securities Exchange and has interests in operating gold, manganese, iron, chrome, platinum, and nickel mines in South Africa, as well as cobalt and copper mines in Zambia. As at 30 June 2003, Clidet's 34.5% investment in Avmin was valued at R1 552 million by reference to the stock exchange quoted price of R40.00 per share.

The Group's interest of 17.25% in the summarised balance sheet of Anglovaal Mining Limited is as follows:

| | 2003 R million | 2002 R million |
|--------------------------|-------------------|-------------------|
| Capital and reserves | 1 038 | - |
| Non-current liabilities | 232 | - |
| | 1 270 | - |
| Fixed assets | 1 133 | - |
| Other non-current assets | 46 | - |
| Net current assets | 91 | - |
| | 1 270 | - |

Unlisted investments in subsidiaries

| Company | | |
|-------------------|-------------------|--|
| 2002 R million | 2003 R million | |
| 3 282 | 5 146 | Shares at fair value (refer Annexure A) |
| 2 937 | 2 365 | Loans to subsidiaries (refer Annexure A) |
| 6 219 | 7 511 | Total investment in subsidiaries |

16 INTEREST IN JOINT VENTURES

(a) Interest in ArmGold/Harmony Freegold Joint Venture Company (Pty) Ltd

The Group has a 50% interest in a joint venture with ARMgold Limited, the ArmGold/Harmony Freegold Joint Venture Company (Pty) Ltd, which operates as a gold mining company in the Welkom area of the Free State goldfields. The joint venture company purchased the Free Gold and Joel assets from AngloGold Limited for R2 881 million and took operational control of these assets on 3 January 2002. The following amounts represent the Group's share of the assets and liabilities and revenue and expenses of the joint venture and are included in the consolidated balance sheet and income statement and cash flow statement:

| | Group | |
|--|-------------------|-------------------|
| | 2003 R million | 2002 R million |
| Property, plant and equipment | 1 415 | 1 079 |
| Investments | 278 | 229 |
| Current assets | 390 | 571 |
| | 2 083 | 1 879 |
| Non-current interest-bearing borrowings | 164 | 517 |
| Non-current intergroup borrowings | 719 | 907 |
| Deferred income and mining taxes | 312 | (213) |
| Provision for environmental rehabilitation | 160 | 200 |
| Provision for post-retirement benefits | 1 | 1 |
| Current liabilities | 145 | 181 |
| | 1 501 | 1 593 |
| Net assets | 582 | 286 |
| Income | 1 861 | 938 |
| Expenses | (1 401) | (516) |
| Profit before tax | 460 | 422 |
| Taxation | (164) | (136) |
| Profit after tax | 296 | 286 |

Notes to the consolidated Financial Statements - continued

| | | |
|---|----------------|---------------|
| Operating cash flows | 556 | 525 |
| Investing cash flows | (105) | (922) |
| Financing cash flows | (687) | 900 |
| Total cash flows | <u>(236)</u> | <u>503</u> |
| Proportionate interest in joint venture commitments | <u>426</u> | <u>14</u> |

There are no contingencies relating to the Group's interest in the joint venture. The number of employees in the joint venture was 17 146 (2002: 13 734) at year end.

(b) Interest in Clidet 454 (Pty) Ltd

The Group has a 50% interest in a joint venture with ARMgold Limited, Clidet 454 (Pty) Ltd. The joint venture company purchased a 24.7% interest in Anglovaal Mining Limited from Anglo American Plc for R1 209 million on 8 May 2003 and a 9.8% interest for R478 million on 14 May 2003. The following amounts represent the Group's share of the assets and liabilities and revenue and expenses of the joint venture and are included in the consolidated balance sheet and income statement and cash flow statement:

| | Group | |
|-----------------------------------|------------------|------------------|
| | 2003 | 2002 |
| | R million | R million |
| Investment in associate | 867 | - |
| | <u>867</u> | <u>-</u> |
| Non-current intergroup borrowings | 846 | - |
| | <u>846</u> | <u>-</u> |
| Net assets | 21 | - |
| | <u>21</u> | <u>-</u> |
| Equity accounted income | 21 | - |
| | <u>21</u> | <u>-</u> |

| | Group | |
|---|------------------|------------------|
| | 2003 | 2002 |
| | R million | R million |
| Operating cash flows | - | - |
| Investing cash flows | (846) | - |
| Financing cash flows | 846 | - |
| Total cash flows | <u>-</u> | <u>-</u> |
| Proportionate interest in joint venture commitments | <u>-</u> | <u>-</u> |

There are no contingencies relating to the Group's interest in the joint venture.

17 INVENTORIES

| Company | | | Group | |
|------------------|------------------|--------------------------------------|------------------|------------------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| 100 | 75 | Gold in-process and bullion on hand | 278 | 286 |
| <u>111</u> | <u>135</u> | Stores and materials at average cost | <u>176</u> | <u>162</u> |
| 211 | 210 | | 454 | 448 |

Harmony's and Elandskraal's gold in-process and bullion on hand are valued at net realisable value to the amount of R75 million and R20 million respectively. All the other operations' gold in-process are valued at cost.

Notes to the consolidated Financial Statements - continued

18 RECEIVABLES

| Company | | | Group | |
|------------|------------|--------------------|------------|------------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| 25 | 23 | Value added tax | 68 | 92 |
| 23 | 32 | Trade receivables | 147 | 103 |
| 114 | 259 | Gold receivables | 355 | 194 |
| (3) | 50 | Interest and other | 201 | 296 |
| <u>159</u> | <u>364</u> | | <u>771</u> | <u>685</u> |

19 SHARE CAPITAL AND SHARE PREMIUM

Share capital

Authorised

250 000 000 (2002: 250 000 000) ordinary shares of 50 cents each

10 958 904 (2002: 10 958 904) redeemable convertible preference shares of 50 cents each

Issued

184 854 115 (2002: 169 247 349) ordinary shares of 50 cents each

| Company | | | Group | |
|-----------|-----------|---|-----------|-----------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| 72 | 85 | Ordinary shares of 50 cents each at 1 July 2002 | 85 | 72 |
| 2 | 1 | Issued in terms of the share option scheme | 1 | 2 |
| 4 | 3 | Issued for cash | 3 | 4 |
| 6 | - | Conversion of preference shares | - | 6 |
| 1 | 3 | Warrants converted | 3 | 1 |
| <u>85</u> | <u>92</u> | Balance as at 30 June 2003 | <u>92</u> | <u>85</u> |
| 5 462 | 6 782 | Share premium | 6 782 | 5 462 |

The unissued shares are under the control of the Directors until the forthcoming Annual General Meeting. The directors' report and note 28 set out details in respect of the share option scheme.

The Company has a general authority to purchase its shares up to a maximum of 20% of the issued share capital in any one financial year. This is in terms of the annual general meeting of shareholders on 15 November 2002. The general authority is subject to the Listings Requirements of the Johannesburg Securities Exchange South Africa and the Companies Act no 61 of 1973 of South Africa, as amended.

20 HARMONY LISTED OPTIONS AND WARRANTS

In terms of a transaction dated 29 June 2001, 27 082 500 ordinary shares and 9 027 500 options to purchase 9 027 500 additional ordinary shares were issued. Ordinary shares were purchased in integral multiples of three and investors received one option for every three shares purchased. Each option entitled its holder to purchase, on any business day on or before 28 June 2003, one ordinary share at South African Rand 43.00. As at 30 June 2003, 6 659 470 (2002: 1 013 554) options were exercised, leaving a balance of 2 368 030 (2002: 8 013 946) options that will be issued in the 2004 financial year. These warrants were traded on the JSE Securities Exchange.

Options were also exercisable at a price of South African Rand 60.00, at which time they could have been converted into ordinary shares of the Company, on or before 31 July 2001. None of the options were exercised and they lapsed during the 2002 financial year.

Notes to the consolidated Financial Statements - continued

21 FAIR VALUE AND OTHER RESERVES

| Company | | | Group | |
|-----------|-----------|---|-----------|-----------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| - | - | Foreign exchange translation reserve | (261) | 64 |
| - | 23 | Mark-to-market of listed investments | 41 | - |
| 46 | - | Mark-to-market of financial instruments | - | 46 |
| - | - | Other | (22) | (22) |
| 46 | 23 | | (242) | 88 |

The balance of the foreign exchange translation reserve represents the cumulative translation effect of the Company's off shore operations.

On 22 November 2002, the company purchased 17,1 million shares in High River Gold Mines Limited, a Toronto listed company, for a total consideration of R141 million. The market value of the investment as at 30 June 2003 was R164 million, resulting in an increase of R23 million since acquisition. On 3 June 2003 Abelle Limited completed the acquisition of the remaining 50% of the Morobe Gold Project from CDC Financial Services Limited and Kula Fund Limited. In consideration Abelle paid US\$ 10 million cash plus 12 million issued options, expiring on 30 June 2007 and exercisable at A\$ 1.00 per option. As at 30 June 2003, the options were valued at R18 million.

The mark-to-market of financial instruments as at 30 June 2002, related to the currency hedge taken out in Harmony. Refer to note 29 for detail on financial instruments.

The different categories of fair value and other reserves are made up as follows:

| Company | | | Group | |
|--|-----------|---|-----------|-----------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| Foreign exchange translation reserve | | | | |
| - | - | At the beginning of the year | 64 | (19) |
| - | - | Current year's foreign exchange movement | (325) | 83 |
| - | - | At the end of the year | (261) | 64 |
| Mark-to-market of listed investments | | | | |
| - | - | At the beginning of the year | - | 87 |
| - | - | Reclassification of mark-to-market on Aurion Gold | - | (87) |
| - | - | Mark-to-market of Abelle's options | 18 | - |
| - | 23 | Mark-to-market of High River Gold investment | 23 | - |
| - | 23 | At the end of the year | 41 | - |
| Mark-to-market of financial instruments | | | | |
| - | 46 | At the beginning of the year | 46 | (18) |
| 46 | (46) | Mark-to-market of currency hedge | (46) | 64 |
| 46 | - | At the end of the year | - | 46 |
| Other reserves | | | | |
| - | - | At the beginning of the year | (22) | 4 |
| - | - | Listed options expired | - | (26) |
| - | - | At the end of the year | (22) | (22) |

Notes to the consolidated Financial Statements - continued

22 BORROWINGS

Long term borrowings

| Company | | | Group | |
|--------------|--------------|---|--------------|--------------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| | | Unsecured | | |
| 1 200 | 1 200 | Senior unsecured fixed rate bonds (a) | 1 200 | 1 200 |
| (21) | (30) | Fair value adjustment | (30) | (21) |
| (20) | (15) | Less: amortised discount and bond issue costs | (15) | (20) |
| <u>1 159</u> | <u>1 155</u> | Total unsecured long term borrowings | <u>1 155</u> | <u>1 159</u> |
| | | Secured | | |
| 36 | 68 | BAE Systems Plc (b) | 68 | 36 |
| - | (68) | Less: short term portion | (68) | - |
| <u>36</u> | <u>-</u> | | <u>-</u> | <u>36</u> |
| 500 | 375 | BOE loan (c) | 375 | 500 |
| (125) | (125) | Less: short term portion | (125) | (125) |
| <u>375</u> | <u>250</u> | | <u>250</u> | <u>375</u> |
| - | - | AngloGold Ltd (d) | 161 | 517 |
| - | - | Less: short term portion | - | (316) |
| <u>-</u> | <u>-</u> | | <u>161</u> | <u>201</u> |
| - | - | Gold Fields Ltd (e) | 4 | - |
| - | - | Less: short term portion | (1) | - |
| <u>-</u> | <u>-</u> | | <u>3</u> | <u>-</u> |
| - | 850 | Nedbank (f) | 850 | - |
| - | (4) | Less: amortised issue costs | (4) | - |
| <u>-</u> | <u>846</u> | | <u>846</u> | <u>-</u> |
| <u>411</u> | <u>1 096</u> | Total secured long term borrowings | <u>1 260</u> | <u>612</u> |
| <u>1 570</u> | <u>2 251</u> | Total long term borrowings | <u>2 415</u> | <u>1 771</u> |

- (a) On 16 June 2001, Harmony launched and priced an issue of senior unsecured fixed rate bonds in an aggregate principal amount of R1 200 million, with semi-annual interest payable at a rate of 13% per annum. These bonds will be repayable on 14 June 2006, subject to early redemption at Harmony's option. The bonds are listed on the Bond Exchange of South Africa. The bonds were issued to settle existing debt and fund the purchase of Elandskraal and New Hampton. As long as the bonds are outstanding, Harmony will not permit encumbrances on its present or future assets or revenues to secure indebtedness for borrowed money, without securing the outstanding bonds equally and ratably with such indebtedness, except for certain specified permitted encumbrances. Including in the amortisation charge as per the income statement is R5 million (2002: R5 million) for amortisation of the bond issue costs.
- (b) The loan from BAE Systems Plc is a US Dollar denominated term loan of R68 million (\$9.0 million) (2002: R36 million (\$3.5 million)) for financing the design, development and construction of a facility for the manufacture and sale of value added gold products at Harmony's premises in the Free State. The loan is secured by a notarial covering bond over certain gold proceeds and other assets and is repayable in full on 30 April 2004. The loan bears interest at Libor plus 2% which is accrued daily from the drawdown date and interest is repayable on a quarterly basis.
- (c) On 18 April 2002, Harmony entered into a term loan facility of R500 million with BOE Bank Limited for the purpose of partially funding Harmony's acquisition of shares in the ArmGold/Harmony Freegold Joint Venture Company (Pty) Limited and loans made by Harmony to the Free Gold company in connection with the acquisition of mining assets. The facility is collateralised by a pledge of Harmony's shares in the Freegold Joint Venture Company and is guaranteed by Randfontein, Evander, Kalgold and Lydex. The loan is repayable in full on 23 April 2006 by way of eight semi-annual capital installments which are due beginning 23 October 2002. The loan bears interest at a rate equal to the JIBAR rate for deposits in Rand plus 1.5% plus specified costs, which is accrued daily from the drawdown date and is payable quarterly in arrears commencing 23 July 2002. The following restrictive covenants apply:
- A consolidated net worth must be more than R4 600 million;
 - The total debt to EBITDA ratio not to exceed 1.5; and
 - EBITDA to total debt service ratio should not be less than 3.5.

Notes to the consolidated Financial Statements - continued

- (d) On 24 December 2001, Free Gold entered into an agreement with AngloGold Limited to purchase its Free Gold assets for R2 881 million. R1 800 million was payable on 1 January 2002 at the call rate from this date until the 10th business day after the date of fulfilment of the last of the conditions precedent. R 400 million is payable on 1 January 2005 at no interest charge. The balance of the consideration was payable five business days before AngloGold was obliged to pay recoupment tax, capital gains tax and any other income tax on the disposal of the assets at no interest charge. Harmony's 50% portion of the outstanding loan balance at 30 June 2003 was R161 million (2002: R517 million), which was proportionately consolidated.
- (e) On 1 July 2002, Free Gold entered into an agreement with St Helena Gold Mines Limited, a fully owned subsidiary of Gold Fields Limited, to purchase its St Helena assets for R129 million. R120 million was payable on 29 October 2002, being the effective date after the fulfilment of all the conditions precedent. The balance of R9 million is payable by way of a 1% royalty on turnover, monthly in arrears, for a period of 48 months, commencing on the 10th of the month following the effective date. Harmony's 50% portion of the outstanding loan balance as at 30 June 2003 was R4 million, which was proportionately consolidated.
- (f) On 8 May 2003, Harmony Gold entered into a term loan agreement with Nedbank Limited for R850 million. The purpose of this term loan agreement was to fund the acquisition of 17.25% of Anglovaal Mining Limited. This term loan was paid out in two tranches, the first tranche of R611 million was paid on 8 May 2003 and the second tranche of R239 million was paid on 13 May 2003. The loan is secured with guarantees provided by Evander Gold Mines Limited, Randfontein Estates Limited, Kalahari Goldridge Mining Company Limited and Lydenburg Exploration Limited and is repayable in full on 8 November 2004. The loan bears interest at the 3 month JIBAR rate, plus a margin of 1.5% as well as stamp duties, liquid and reserving costs all converted to a nacq (nominal annual compounded quarterly in arrears) rate. Interest is repayable on a quarterly basis. Including in the amortisation charge as per the income statement is R0.5 million (2002: R nil) for amortisation of the loan costs.

Other borrowings

The level of the Company's borrowing powers, as determined by its Articles of Association, is such that, taking into account the obligations as at 30 June 2003, the Company will have unrestricted access to loan financing for its reasonably foreseeable requirements. At year end, total borrowings amounted to R2 609 million (2002: R2 212 million).

23 DEFERRED FINANCIAL LIABILITY/(ASSET)

| Company | | | Group | |
|--|-----------|---|-----------|-----------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| - | 29 | Mark-to-market of speculative financial instruments at year end | 283 | 84 |
| (26) | - | Mark-to-market of hedging financial instruments at year end | - | 887 |
| (26) | 29 | | 283 | 971 |
| The Group's net financial liability/(asset) is made up as follows: | | | | |
| (49) | (1) | Deferred financial assets | (1) | (49) |
| 23 | 30 | Deferred financial liabilities | 284 | 1 020 |
| (26) | 29 | | 283 | 971 |

During this financial year, a significant portion of the inherited hedge books of both New Hampton and Hill 50, were closed out at a cost of R69 million (US\$8 million). The outstanding contracts are now treated as speculative and the marked to market movement will be reflected in the income statement.

During the previous financial year, the inherited Randfontein hedge book, which had been treated as speculative, was closed out at a cost of R135 million after tax. The hedge contracts of both New Hampton and Hill 50 were restructured towards the end of the 2002 financial year, to normal purchase, normal sale agreements by which Harmony was obliged to physically deliver specified quantities of gold at future dates, subject to the pricing arrangements described below. Due to the closure of the hedge agreements as mentioned above, these contracts are now treated as speculative.

Refer to note 29 for more detail on the outstanding financial instruments.

Notes to the consolidated Financial Statements - continued

24 PROVISION FOR ENVIRONMENTAL REHABILITATION

| Company | | | Group | |
|------------|------------|--|------------|------------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| | | Provision raised for future rehabilitation | | |
| 120 | 134 | Opening balance | 711 | 427 |
| - | - | Acquisition of subsidiaries | 30 | 264 |
| - | - | Finalisation of purchase price of subsidiary | (66) | - |
| 14 | (14) | (Reversal of provision)/charge to income statement | (25) | 20 |
| - | - | Exchange differences | (26) | - |
| <u>134</u> | <u>120</u> | Closing balance | <u>624</u> | <u>711</u> |

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the Group has estimated that based on current environmental and regulatory requirements, the total cost for the mines, in current monetary terms, will be R969 million (2002: R1 085 million).

Included in the charge to the income statement is an amount of R51 million (2002: R40 million) relating to the time value of money.

The movements in the investments in the Group Environmental Trust Funds, were as follows:

| | | | | |
|------------|------------|---|------------|------------|
| 16 | 44 | Opening balance | 487 | 193 |
| - | - | Transferred from other trust funds | 17 | 222 |
| 3 | 6 | Interest accrued | 69 | 23 |
| 27 | 25 | Contributions made | 36 | 50 |
| (2) | (3) | Reimbursement of costs incurred | (3) | (1) |
| <u>44</u> | <u>72</u> | Closing balance | <u>606</u> | <u>487</u> |
| 230 | 241 | Ultimate estimated rehabilitation cost | 969 | 1 085 |
| (44) | (72) | Amounts invested in Environmental Trust Funds | (606) | (487) |
| <u>186</u> | <u>169</u> | Future net obligations | <u>363</u> | <u>598</u> |

The Group intends to finance the ultimate rehabilitation costs from the money invested with the environmental trust funds, ongoing contributions, as well as the proceeds on sale of assets and gold from plant clean-up at the time of mine closure.

25 POST-RETIREMENT BENEFITS

(a) PENSION AND PROVIDENT FUNDS: The Group contributes to several pension and provident funds governed by the Pension Funds Act 1946, for the employees of its South African subsidiaries. The pension funds are multi-employer industry plans. The Group's liability is limited to its annually determined contributions.

The provident funds are funded on the "money accumulative basis" with the member's and employer's contributions having been fixed in the constitution of the funds.

The Australian group companies make contributions to each employee's Superannuation (pension) fund in accordance with the Superannuation Guarantee Scheme (SGS). The SGS is a Federal Government initiative enforced by law which compels employers to make regular payments to regulated funds providing for each employee on their retirement. The Superannuation Guarantee Contributions were set at a minimum of 9% of gross salary and wages for the 2003 year (2002: 8%).

Substantially all the Group's employees are covered by the above mentioned retirement benefit plans. Funds contributed by the Group for fiscal 2003 amounted to R187 million (2002 : R191 million).

(b) POST-RETIREMENT BENEFITS OTHER THAN PENSIONS: Skilled workers in South Africa participate in the Minemed medical scheme, as well as other medical schemes. The Group contributes to these schemes on behalf of current employees and retired employees who retired prior to 31 December 1996 (Minemed scheme). The annual contributions for these retired employees are fixed. The Group's contributions to these schemes on behalf of current employees amounted to R40 million for both 2003 and 2002.

No post-retirement benefits are available to other workers. No liability exists for employees who were members of these schemes who retired after the date noted above. The medical schemes pay certain medical expenses for both current and retired employees and their dependents. Current and retired employees pay an annual fixed contribution to these schemes.

An updated actuarial valuation was carried out during the 2002 fiscal year on the Minemed medical scheme following the last actuarial valuation in fiscal 2000.

Assumptions used to determine the liability relating to the Minemed medical scheme included investment returns of 12%, no increases in employer subsidies (in terms of the agreement) and mortality rates according to the SA "a mf" tables and a medical inflation rate of 0% to 7%.

Notes to the consolidated Financial Statements - continued

The provision for former employees' post retirement benefits comprise medical benefits for former employees who retired. The amounts were based on an actuarial valuation conducted during the year ended 30 June 2002.

| Company | | | Group | |
|-----------|-----------|--|-----------|-----------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| 5 | 5 | The amounts recognised in the balance sheet are as follows: | | |
| | | Present value of unfunded obligation | 9 | 9 |
| | | The amounts recognised in the income statement are as follows: | | |
| 1 | - | Interest cost | - | 2 |
| - | - | Additional liability raised - Elandskraal | - | 1 |
| - | 2 | Benefits paid | 5 | 3 |
| (2) | - | Net actuarial gains | - | (5) |
| (1) | 2 | | 5 | 1 |
| | | The movement in the liability recognised in the balance sheet is as follows: | | |
| 6 | 5 | At the beginning of the year | 9 | 8 |
| (1) | - | Total expenses | - | 1 |
| 5 | 5 | At the end of the year | 9 | 9 |
| | | The principal actuarial assumptions used for accounting purposes were: | | |
| 12% | 12% | Discount rate | 4%-12% | 4%-12% |
| 0% | 0% | Assumed medical subsidy inflation | 0%-7% | 0%-7% |

26 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| Company | | | Group | |
|-----------|-----------|--|-----------|-----------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| 216 | 330 | Trade payables | 410 | 263 |
| 125 | 193 | Short term portion of long term borrowings | 194 | 441 |
| - | - | Short term borrowings | 17 | 36 |
| 149 | 155 | Payroll and leave liabilities | 374 | 408 |
| 72 | 58 | Accruals | 298 | 325 |
| 25 | 119 | Other liabilities | 83 | 175 |
| 587 | 855 | | 1 376 | 1 648 |

Leave liability

Employee entitlements to annual leave are recognised on an ongoing basis. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The movement in the liability recognised in the balance sheet is as follows:

| | | | | |
|------|------|---|-------|-------|
| 37 | 40 | At the beginning of the year | 138 | 100 |
| - | - | Acquired through the purchase of subsidiaries | 1 | 18 |
| - | - | Acquired through the purchase of businesses | 3 | - |
| (40) | (49) | Benefits paid | (156) | (119) |
| 43 | 55 | Total expenses per income statement | 150 | 139 |
| 40 | 46 | At the end of the year | 136 | 138 |

Notes to the consolidated Financial Statements - continued

27 EMPLOYEE BENEFITS

| | Group | |
|---------------------------------------|--------|--------|
| | 2003 | 2002 |
| NUMBER OF PERMANENT EMPLOYEES: | | |
| Harmony Free State | 12 317 | 12 644 |
| Evander | 6 770 | 7 384 |
| Kalgold | 229 | 222 |
| Randfontein | 7 154 | 7 455 |
| Elandskraal | 6 611 | 7 559 |
| Australian Operations | 255 | 309 |
| Bissett | 6 | 6 |
| Exploration | 12 | 20 |
| | 33 354 | 35 599 |
| Freegold Joint Venture (50%) | 8 573 | 6 867 |
| Total | 41 927 | 42 466 |

| | Group | |
|---|-----------|-----------|
| | 2003 | 2002 |
| | R million | R million |
| AGGREGATE EARNINGS: | | |
| The aggregate earnings of employees including directors were: | | |
| Salaries and wages and other benefits | 2 502 | 1 780 |
| Retirement benefit costs | 187 | 191 |
| Medical aid contributions | 40 | 40 |
| | 2 729 | 2 011 |

The aggregate earnings for the 2003 financial year include the earnings of Free Gold and Hill 50 for the full 12 month period. The earnings of the 2002 financial year only included the earnings of Free Gold for 6 months and Hill 50 for 3 months.

Directors' remuneration is fully disclosed in the directors' report.

28 SHARE OPTION SCHEMES

The Company has an Employee Share Option Scheme ("Harmony Share Option Scheme") hereunder referred to as the HSOS scheme under which certain qualifying employees may be granted options to purchase shares in the Company's authorised but unissued ordinary shares. Of the total of 8 000 000 ordinary shares under the specific authority of the directors in terms of the Harmony (2001) Share Option Scheme, 7 528 100 shares have been offered to participants leaving a balance of 471 900. In addition a total of 1 065 400 shares were still outstanding under the Harmony (1994) Share Option Scheme. In terms of the rules of the HSOS scheme, the exercise price of the options granted is equal to fair market value of the shares at the date of the grant.

Options currently expire no later than 10 years from the grant date and annually from the grant date, a third of the total options granted are exercisable. Proceeds received by the Company from the exercise are credited to share capital and share premium.

Share option activity was as follows:

| | Number of share options granted | Average exercise price per share SA Rand |
|---|--|--|
| Balance as at 30 June 2001 | 5 791 700 | - |
| Share options granted during the year | 5 968 200 | - |
| Share options exercised during the year | (2 682 900) | 26.88 |
| Balance as at 30 June 2002 | 9 077 000 | - |
| Share options granted during the year | 1 311 000 | - |
| Share options lapsed | (461 800) | - |
| Share options exercised during the year | (2 243 300) | 37.04 |
| Balance as at 30 June 2003 | 7 682 900 | - |

The details pertaining to share options issued and exercised by directors during the year are disclosed in the directors' report.

The number of shares held by the Harmony Share Trust at year end amounted to 1 219 500 (2002: 2 185 200).

Notes to the consolidated Financial Statements - continued

The following table summarises the status of share options outstanding at 30 June 2003:

| Grant date | Number of options | Option price (Rand) |
|-------------------|-------------------|---------------------|
| 2 December 1997 | 13 750 | 11.70 |
| 21 September 1999 | 146 100 | 22.90 |
| 23 February 1999 | 7 000 | 25.75 |
| 15 November 2000 | 334 000 | 27.20 |
| 13 January 2000 | 248 050 | 35.40 |
| 24 April 2001 | 316 500 | 36.50 |
| 20 November 2001 | 5 276 500 | 49.60 |
| 2 February 2002 | 30 000 | 93.00 |
| 27 March 2003 | <u>1 311 000</u> | 91.60 |
| | <u>7 682 900</u> | |

29 DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE AND CREDIT RISK OF FINANCIAL INSTRUMENTS

Harmony is exposed to market risks, including credit risk, foreign currency, commodity price, interest rate and liquidity risk associated with underlying assets, liabilities and anticipated transactions. Following periodic evaluation of these exposures, Harmony may enter into derivative financial instruments to manage these exposures. Harmony does not issue derivative financial instruments for trading or speculative purposes.

Commodity price sensitivity

As a general rule, Harmony sells its gold production at market prices. Harmony, generally, does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of its future gold production. A significant proportion of Randfontein Estate's, New Hampton's and Hill 50's production was however already hedged when they were acquired by Harmony.

During this financial year, a significant portion of the inherited hedge books of both New Hampton and Hill 50, were closed out at a cost of R69 million (US\$8 million). The outstanding contracts are now treated as speculative and the marked-to-market movement will be reflected in the income statement.

During the previous financial year, the inherited Randfontein hedge book, which had been treated as speculative, was closed out at a cost of R250 million (US\$22 million). The contracts of both New Hampton and Hill 50 were restructured towards the end of the 2002 financial year, to normal purchase, normal sale agreements by which Harmony was obliged to physically deliver specified quantities of gold at future dates, subject to the pricing arrangements described below. Due to the closure of the hedge agreements as mentioned above, these contracts are now treated as speculative.

Maturity schedule of the Harmony Group's commodity contracts by type as at 30 June 2003

| | 30 June 2004 | 30 June 2005 | 30 June 2006 | 30 June 2007 | 30 June 2008 | 30 June 2009 | Total |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Forward Sales Agreements | | | | | | | |
| Ounces | 100 000 | 175 000 | 108 000 | 147 000 | 100 000 | 100 000 | 730 000 |
| A\$ / ounce | 513 | 513 | 510 | 515 | 518 | 518 | 514 |
| Calls Contracts Sold | | | | | | | |
| Ounces | 95 000 | 130 000 | 40 000 | - | - | - | 265 000 |
| A\$ / ounce | 540 | 512 | 552 | - | - | - | 528 |
| | <u>195 000</u> | <u>305 000</u> | <u>148 000</u> | <u>147 000</u> | <u>100 000</u> | <u>100 000</u> | <u>995 000</u> |

These contracts are classified as speculative and the marked-to-market movement is reflected in the income statement.

The mark-to-market of these contracts was a negative value of R254 million (US\$34 million) as at 30 June 2003. These values were based on a gold price of US\$ 346 (A\$ 514) per ounce, exchange rates of US\$ / R7.51 and A\$ / US\$ 0.67 and prevailing market interest rates at the time. These valuations were provided by independent risk and treasury management experts.

Notes to the consolidated Financial Statements - continued

27 EMPLOYEE BENEFITS

| | Group | |
|---------------------------------------|--------|--------|
| | 2003 | 2002 |
| NUMBER OF PERMANENT EMPLOYEES: | | |
| Harmony Free State | 12 317 | 12 644 |
| Evander | 6 770 | 7 384 |
| Kalgold | 229 | 222 |
| Randfontein | 7 154 | 7 455 |
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| Bissett | 6 | 6 |
| Exploration | 12 | 20 |
| | 33 354 | 35 599 |
| Freegold Joint Venture (50%) | 8 573 | 6 867 |
| Total | 41 927 | 42 466 |

| | Group | |
|---|-----------|-----------|
| | 2003 | 2002 |
| | R million | R million |
| AGGREGATE EARNINGS: | | |
| The aggregate earnings of employees including directors were: | | |
| Salaries and wages and other benefits | 2 502 | 1 780 |
| Retirement benefit costs | 187 | 191 |
| Medical aid contributions | 40 | 40 |
| | 2 729 | 2 011 |

The aggregate earnings for the 2003 financial year include the earnings of Free Gold and Hill 50 for the full 12 month period. The earnings of the 2002 financial year only included the earnings of Free Gold for 6 months and Hill 50 for 3 months.

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The Company has an Employee Share Option Scheme ("Harmony Share Option Scheme") hereunder referred to as the HSOS scheme under which certain qualifying employees may be granted options to purchase shares in the Company's authorised but unissued ordinary shares. Of the total of 8 000 000 ordinary shares under the specific authority of the directors in terms of the Harmony (2001) Share Option Scheme, 7 528 100 shares have been offered to participants leaving a balance of 471 900. In addition a total of 1 065 400 shares were still outstanding under the Harmony (1994) Share Option Scheme. In terms of the rules of the HSOS scheme, the exercise price of the options granted is equal to fair market value of the shares at the date of the grant.

Options currently expire no later than 10 years from the grant date and annually from the grant date, a third of the total options granted are exercisable. Proceeds received by the Company from the exercise are credited to share capital and share premium.

Share option activity was as follows:

| | Number of share options granted | Average exercise price per share SA Rand |
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| Balance as at 30 June 2001 | 5 791 700 | - |
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| Share options granted during the year | 1 311 000 | - |
| Share options lapsed | (461 800) | - |
| Share options exercised during the year | (2 243 300) | 37.04 |
| Balance as at 30 June 2003 | 7 682 900 | - |

The details pertaining to share options issued and exercised by directors during the year are disclosed in the directors' report.

The number of shares held by the Harmony Share Trust at year end amounted to 1 219 500 (2002: 2 185 200).

Notes to the consolidated Financial Statements - continued

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| 20 November 2001 | 5 276 500 | 49.60 |
| 2 February 2002 | 30 000 | 93.00 |
| 27 March 2003 | <u>1 311 000</u> | 91.60 |
| | <u>7 682 900</u> | |

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Harmony is exposed to market risks, including credit risk, foreign currency, commodity price, interest rate and liquidity risk associated with underlying assets, liabilities and anticipated transactions. Following periodic evaluation of these exposures, Harmony may enter into derivative financial instruments to manage these exposures. Harmony does not issue derivative financial instruments for trading or speculative purposes.

Commodity price sensitivity

As a general rule, Harmony sells its gold production at market prices. Harmony, generally, does not enter into forward sales, derivatives or other hedging arrangements to establish a price in advance for the sale of its future gold production. A significant proportion of Randfontein Estate's, New Hampton's and Hill 50's production was however already hedged when they were acquired by Harmony.

During this financial year, a significant portion of the inherited hedge books of both New Hampton and Hill 50, were closed out at a cost of R69 million (US\$8 million). The outstanding contracts are now treated as speculative and the marked-to-market movement will be reflected in the income statement.

During the previous financial year, the inherited Randfontein hedge book, which had been treated as speculative, was closed out at a cost of R250 million (US\$22 million). The contracts of both New Hampton and Hill 50 were restructured towards the end of the 2002 financial year, to normal purchase, normal sale agreements by which Harmony was obliged to physically deliver specified quantities of gold at future dates, subject to the pricing arrangements described below. Due to the closure of the hedge agreements as mentioned above, these contracts are now treated as speculative.

Maturity schedule of the Harmony Group's commodity contracts by type as at 30 June 2003

| | 30 June 2004 | 30 June 2005 | 30 June 2006 | 30 June 2007 | 30 June 2008 | 30 June 2009 | Total |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Forward Sales Agreements | | | | | | | |
| Ounces | 100 000 | 175 000 | 108 000 | 147 000 | 100 000 | 100 000 | 730 000 |
| A\$ / ounce | 513 | 513 | 510 | 515 | 518 | 518 | 514 |
| Calls Contracts Sold | | | | | | | |
| Ounces | 95 000 | 130 000 | 40 000 | - | - | - | 265 000 |
| A\$ / ounce | 540 | 512 | 552 | - | - | - | 528 |
| | <u>195 000</u> | <u>305 000</u> | <u>148 000</u> | <u>147 000</u> | <u>100 000</u> | <u>100 000</u> | <u>995 000</u> |

These contracts are classified as speculative and the marked-to-market movement is reflected in the income statement.

The mark-to-market of these contracts was a negative value of R254 million (US\$34 million) as at 30 June 2003. These values were based on a gold price of US\$ 346 (A\$ 514) per ounce, exchange rates of US\$ / R7.51 and A\$ / US\$ 0.67 and prevailing market interest rates at the time. These valuations were provided by independent risk and treasury management experts.

Notes to the consolidated Financial Statements - continued

Maturity schedule of the 26% direct and indirect interest in the commodity contracts of Avgold as at 30 June 2003:

| | 30 June 2004 | 30 June 2005 | 30 June 2006 | Total |
|--------------------------|-----------------|-----------------|-----------------|---------|
| Forward Sales Agreements | | | | |
| Ounces | 76 591 | 76 378 | 36 802 | 189 771 |
| US\$ / ounce | 313 | 316 | 323 | 316 |

After the merger with ARMgold, the Group will have 26% direct and indirect interest in Avgold, including the 11.5% interest acquired directly by Harmony on 15 July 2003. The mark-to-market of Harmony's interest in these contracts was a negative value of R50 million (US\$7 million).

Maturity schedule of the Harmony Group's commodity contracts by type as at 30 June 2002:

| | 30 June 2003 | 30 June 2004 | 30 June 2005 | 30 June 2006 | 30 June 2007 | 30 June 2008 | 30 June 2009 | Total |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------|
| Forward Sales Agreements | | | | | | | | |
| Ounces | 425 792 | 229 000 | 205 000 | 187 500 | 125 000 | 100 000 | 100 000 | 1 372 292 |
| A\$ / ounce | 514 | 522 | 524 | 523 | 514 | 518 | 518 | 519 |
| Calls Contracts Sold | | | | | | | | |
| Ounces | 62 425 | 175 500 | 130 000 | 40 000 | - | - | - | 407 925 |
| A\$ / ounce | 545 | 544 | 512 | 552 | - | - | - | 535 |
| Put Contracts Bought | | | | | | | | |
| Ounces | 33 000 | - | - | - | - | - | - | 33 000 |
| A\$ / ounce | 500 | - | - | - | - | - | - | 500 |
| | 521 217 | 404 500 | 335 000 | 227 500 | 125 000 | 100 000 | 100 000 | 1 813 217 |

The contracts were treated as normal purchase, normal sales contracts.

The mark-to-market of these contracts was a negative value of R913 million (US\$88 million) as at 30 June 2002. These values were based on a gold price of US\$316 (A\$557) per ounce, exchange rates of R/US\$10.39 and US\$/A\$ 0.57 and prevailing market interest rates and volatilities at the time. These valuations were provided by independent risk and treasury management experts.

Foreign currency sensitivity

In the ordinary course of business, Harmony enters into transactions denominated in foreign currency (primarily US Dollars). In addition, the Group has investments and liabilities in Canadian, Australian and US Dollars. As a result Harmony is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. Harmony does not generally hedge its exposure to foreign currency exchange rates, however during the 2002 financial year, Harmony entered into monthly forward sales agreements amounting to US\$180 million, of which US\$90 million matured in the previous financial year and US\$ 90 million matured over the period July 2002 to December 2002, at an average exchange rate of R/US\$ 11.76. These contracts were entered into to preserve the revenue streams for the Free State operations.

These contracts were accounted for as cash flow hedges and were recorded in each period in reserves and subsequently reclassified to revenue on the contract expiry date. The marked-to-market value of these forward sales agreements on 30 June 2003 was R nil, as all the agreements matured before year end.

The marked-to-market value of the transactions making up the positions on 30 June 2002 was a positive R47 million (US\$5 million), the valuation was based on an exchange rates of R/\$10.42 and the prevailing interest rates and volatilities at the time.

Concentration of credit risk

Financial instruments, which subject the Company to significant concentrations of credit risk, consist predominantly of cash and cash equivalents, short-term investments and various derivative financial instruments. The Group's financial instruments do not represent a concentration of credit risk as the Group deals with and maintains cash and cash equivalents, short-term investments and derivative financial instruments with a variety of well established financial institutions of high quality and credit standing. The credit exposure to any one counter party is managed by setting exposure limits, which are reviewed regularly. The Group's debtors and loans are regularly monitored and assessed. An adequate level of provision is maintained.

Interest rates and liquidity risk

Fluctuations in interest rates and gold lease rates impact on the value of short-term cash and financing activities.

Notes to the consolidated Financial Statements - continued

Gold Lease Rates:

Harmony generally does not undertake any specific actions to cover its exposure to gold lease rates in respect of its lease rate swaps. Through its acquisitions of New Hampton and Hill 50, Harmony holds certain gold lease rate swaps, which are listed below:

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------------|-----------|---------|---------|---------|---------|---------|--------|
| Ounces | 1 399 000 | 770 000 | 585 000 | 400 000 | 225 000 | 125 000 | 25 000 |
| Lease rate received | 0.86% | 1.03% | 1.04% | 1.04% | 1.05% | 1.05% | 1.05% |

The above instruments are all treated as speculative. The mark-to-market of the above contracts was a positive R1 million (US\$120,000) as at 30 June 2003, based on valuations provided by independent treasury and risk management experts.

Interest Rate Swaps:

The Group has interest rate swap agreements to convert R600 million of its R1, 2 billion fixed rate bond to variable rate debt. The interest rate swap runs over the term of the bond and comprises two separate tranches:

- (a) R400 million: receive interest at a fixed rate of 13% and pay floating at JIBAR (reset quarterly) plus a spread of 1,8%.
- (b) R200 million: receive interest at a fixed rate of 13% and pay floating at JIBAR (reset quarterly) plus a spread of 2,2%.

These transactions which mature in June 2006 are designated as fair value hedges. The marked-to-market value of the transactions was a negative R30 million (US\$4 million) as at 30 June 2003.

Surplus Funds

In the ordinary course of business, the Group receives cash from its operations and is required to fund its working capital and capital expenditure requirements. The cash is managed to ensure that surplus funds are invested to provide sufficient liquidity at the minimum risk.

Fair value

The fair value of the financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying amount of the receivables, all accounts payable, cash and cash equivalents are a reasonable estimate of the fair values thereof, because of the short-term maturity of such instruments. The investments in the environmental trust funds approximates fair values as the funds are invested in short term maturity investments. Listed investments (including those in the environmental trust fund) are carried at market value. Long term loans, other than the bond, approximates fair value as they are subject to market based rates. The carrying value of the bond approximates its market value at 30 June 2003.

30 CASH GENERATED FROM/(UTILISED IN) OPERATIONS

| Company | | | Group | |
|--|-----------|---|-----------|-----------|
| 2002 | 2003 | | 2003 | 2002 |
| R million | R million | | R million | R million |
| Reconciliation of profit before taxation to cash generated from operations: | | | | |
| 596 | 889 | Income before taxation | 917 | 2 279 |
| Adjustments for: | | | | |
| (308) | (286) | Interest received | (270) | (125) |
| (160) | (750) | Dividends received | (3) | (13) |
| 187 | 247 | Interest paid | 321 | 230 |
| - | - | Loss/(profit) on sale of other assets and listed investments | 54 | (46) |
| (9) | (4) | Profit on sale of mining assets | (39) | (21) |
| 82 | 98 | Depreciation and amortisation | 582 | 308 |
| 13 | - | Impairment of assets | 812 | 362 |
| (10) | - | Gain on financial instruments | (440) | (46) |
| - | - | Mark-to-market of listed investments | 9 | (595) |
| 16 | (14) | Net (decrease)/increase in provision for environmental rehabilitation | (25) | 20 |
| | | Net decrease/(increase) in provision for former employees' | | |
| (1) | - | post retirement benefits | - | 2 |
| - | - | Income from associates | (57) | - |
| (156) | (786) | Other non-cash transactions | (63) | (4) |
| Effect of changes in operating working capital items: | | | | |
| 222 | (200) | Receivables | (81) | 127 |
| (44) | 1 | Inventories | 4 | (93) |
| 97 | 190 | Accounts payable and accrued liabilities | 46 | 51 |
| 525 | (615) | Cash generated by/(utilised in) operations | 1 767 | 2 436 |

Notes to the consolidated Financial Statements - continued

31 ADDITIONAL CASH FLOW INFORMATION

The income and mining taxes paid in the statement of cash flow represents actual cash paid.

a) Non cash-items

Excluded from the statements of consolidated cash flows are the following:

(i) For the year ended June 2003

The minorities' share in the profits of Abelle.

(ii) For the year ended June 2002

The minorities' share in the profits of Elandskraal.

b) Acquisitions of Subsidiaries / Businesses

(i) For the year ended June 2003

a) With effect from October 29, 2002, the Group acquired a 50% interest in the assets of St. Helena Mines, through its 50% shareholding in the ARMgold/Harmony Freegold Joint Venture Company (Proprietary) Limited, from St Helena Gold Mines Limited, a fully owned subsidiary of Gold Fields Limited. The aggregate fair value of the assets acquired and liabilities assumed were as follows:

| | 2003 |
|--|------------------|
| | R million |
| Inventories | 1 |
| Property, plant and equipment | 72 |
| Environmental Trust Fund | 17 |
| Long-term liabilities | (5) |
| Deferred tax | (5) |
| Provision for environmental rehabilitation | (20) |
| Total purchase price | <u>60</u> |
| Paid for by cash | <u>(60)</u> |

b) With effect from 1 May 2003, the Company had acquired a majority shareholding in Abelle Limited and during the period to 30 June 2003 increased its shareholding such that as at 30 June 2003, the Company had acquired 87% of the issued share capital of Abelle Ltd. The aggregate fair value of the assets acquired and liabilities assumed were as follows:

| | 2003 |
|--|------------------|
| | R million |
| Inventories | 9 |
| Accounts receivable | 4 |
| Investments | 5 |
| Property, plant and equipment | 1 124 |
| Accounts payable and accrued liabilities | (17) |
| Provision for environmental rehabilitation | (10) |
| Deferred tax | (316) |
| Minority interest | (109) |
| Total purchase price | <u>690</u> |
| Paid for by cash | <u>(769)</u> |
| Cash and cash equivalents at acquisition | <u>(79)</u> |

(c) With effect from 8 May 2003, the Company had acquired a 50% shareholding in the Clidet 454 (Proprietary) Limited Joint Venture. The aggregate fair value of the assets acquired and the liabilities assumed were as follows:

| | 2003 |
|-------------------------------|------------------|
| | R million |
| Investment in associate | 846 |
| Total purchase price | 846 |
| Paid for by way of borrowings | <u>(846)</u> |

Notes to the consolidated Financial Statements - continued

33 RELATED PARTY TRANSACTIONS

Ms. Mokhobo, a non-executive director of Harmony, is the chairman of Simane and as such has an interest in all transactions between Harmony and Simane, including the subscription agreement under which Harmony shares were issued to Simane in January and February 2002, prior to Ms. Mokhobo's appointment as a director of Harmony.

A.R. Flemming and Lord Renwick of Clifton KCMG each owns, directly and indirectly, shares in Highland Gold. As such, each of them has an interest in Harmony's investment in Highland Gold.

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had any interest, direct or indirect, in any transaction concluded in the 2003 and 2002 financial years, or in any proposed transaction that has affected or will materially affect Harmony or its investment interests or subsidiaries, other than stated above.

None of the directors or members of senior management of Harmony or any associate of such director or member of senior management is currently or has been at any time during the past two financial years indebted to Harmony.

34 SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

- (a) On 15 July 2003, Harmony announced the acquisition of 11.5% or 77 540 830 shares in Avgold Limited from Anglo South Africa Capital (Proprietary) Limited for a consideration of R7.91 per Avgold share. The acquisition is subject to the fulfillment of suspensive conditions including the unconditional approval of the board of Anglo American Plc. The consideration will be discharged by the issue of a renounceable letter of allocation to Anglo South Africa Capital representing the rights to 6 960 964 new Harmony shares, comprising 3.8% of the issued share capital of Harmony.
- (b) On 2 May 2003, Harmony and ARMgold Limited announced details on a proposed merger of their operations. The transaction will be effected by the issue of two Harmony shares for every three ARMgold shares held. Approximately 63,67 million Harmony shares will be issued. The ratio was calculated with reference to the 30-day volume weighted average traded price of Harmony and ARMgold shares prior to the final negotiation of the terms of the merger. In addition, ARMgold will pay a special dividend of R6.00 per ARMgold share prior to the implementation of the merger. The transaction will be treated as a take over by Harmony for accounting purposes and is planned to be completed on 23 September 2003 with the final court approval of the scheme of arrangements.
- (c) Randfontein Estates Limited, a wholly owned subsidiary of the Company, entered into an agreement with Africa Vanguard Resources (Proprietary) Limited on 21 January 2003, in terms of which Randfontein sold 26% of its mineral rights in respect of the Doornkop Mining Area to Africa Vanguard for a purchase consideration of R250 million. Randfontein and Africa Vanguard also entered into a joint venture agreement on the same day, in terms of which they agreed to jointly conduct a mining operation in respect of the Doornkop Mining Area. The agreements were subject to the fulfillment of certain conditions precedent, the last of which was fulfilled on 12 August 2003. The agreements were implemented, and the purchase price paid on 15 August 2003.

Notes to the consolidated Financial Statements - continued

35 GEOGRAPHICAL AND SEGMENT INFORMATION

The primary reporting format of the company is by business segment. As there is only one business segment, being mining, extraction and production of gold, the relevant disclosures have been given in the financial statements. The secondary reporting format is by geographical analysis by origin. The accounting policies of the segments are the same as those described in the accounting policy notes.

The results of Abelle have been included from 1 May 2003.

Segmental information includes the results of operations of the Freegold Joint Venture and Hill 50 from date of acquisition with effect from 3 January 2002 and 1 April 2002 respectively. Gold operations are internally reported based on the following geographic areas: Free State, Evander, Kalgold, Randfontein, Elandskraal, New Hampton, Hill 50, Abelle and Free Gold. The Free State, Randfontein, Kalgold, Evander, Elandskraal and Free Gold are specific gold producing regions within South Africa. New Hampton, Hill 50 and Abelle mines are located primarily in Western Australia. The Company also has exploration interests in Southern Africa and Australia which are included in Other. Selling, administrative, general charges and corporate costs are allocated between segments based on the size of activities based on production results.

The segmental split on a geographical basis is:

Year ended 30 June 2003

| | Free State | | Evander | | Kalgold | | Randfontein | | Elandskraal | | Freegold Joint Venture | | New Hampton | | Hill 50 | | Abelle | | Other | Total |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|-----------|
| | (South Africa) | (South Africa) | (South Africa) | (South Africa) | (South Africa) | (South Africa) | (South Africa) | (South Africa) | (South Africa) | (South Africa) | (Australia) | (Australia) | (Australia) | (Australia) | (Australia) | (Australia) | (Australia) | (Australia) | | |
| | R million | R million | R million | R million | R million | R million | R million | R million | R million | R million | R million | R million | R million | R million | R million | R million | R million | R million | R million | R million |
| Profit and loss | | | | | | | | | | | | | | | | | | | | |
| Revenue | 1 882 | 1 067 | 224 | 1 476 | 1 104 | 1 732 | 434 | 1 044 | 32 | - | 8 995 | | | | | | | | | |
| Production costs | (1 518) | (795) | (151) | (952) | (917) | (1 063) | (376) | (828) | (21) | - | (6 621) | | | | | | | | | |
| Cash operating profit | 364 | 272 | 73 | 524 | 187 | 669 | 58 | 216 | 11 | - | 2 374 | | | | | | | | | |
| Non-cash items: | | | | | | | | | | | | | | | | | | | | |
| - Depreciation and amortisation | (98) | (41) | (12) | (64) | (34) | (70) | (46) | (214) | - | (3) | (582) | | | | | | | | | |
| - Impairment | - | - | - | - | - | - | (162) | (650) | - | - | (812) | | | | | | | | | |
| - Mark-to-market of listed investment | - | - | - | - | - | - | - | - | - | (9) | (9) | | | | | | | | | |
| - Financial instruments | - | - | - | - | - | - | 76 | 364 | - | - | 440 | | | | | | | | | |
| Profit/(loss) before tax | 141 | 210 | 53 | 440 | (20) | 610 | (78) | (507) | 2 | 66 | 917 | | | | | | | | | |
| Taxation expense | (21) | (52) | (9) | (150) | (77) | (164) | 124 | 118 | 6 | (49) | (274) | | | | | | | | | |
| Net profit/(loss) for the period before minority interest | 120 | 158 | 44 | 290 | (97) | 446 | 46 | (389) | 8 | 17 | 643 | | | | | | | | | |
| Kilograms gold (*) | 19 009 | 11 203 | 2 320 | 15 300 | 11 403 | 17 969 | 4 138 | 11 355 | 359 | - | 93 056 | | | | | | | | | |
| Tonnes milled (*) ('000) | 5 338 | 2 127 | 1 084 | 4 873 | 2 989 | 4 681 | 1 945 | 5 144 | 58 | - | 28 239 | | | | | | | | | |
| Capital expenditure | 127 | 99 | 70 | 37 | 141 | 341 | 8 | 275 | 1 152 | 2 | 2 252 | | | | | | | | | |
| Total assets | 6 101 | 1 117 | 423 | 2 165 | 351 | 1 381 | (23) | 461 | 520 | 2 689 | 15 185 | | | | | | | | | |
| Total liabilities | 3 334 | 294 | 25 | 557 | 187 | 782 | 2 | 730 | 498 | 147 | 6 556 | | | | | | | | | |

(*) Production statistics are unaudited.

Notes to the consolidated Financial Statements - continued

Year ended 30 June 2002

| | Free | | | | | Freegold Joint | | | | (*) Other | Total |
|---|----------------------------|------------------------------|------------------------------|----------------------------------|----------------------------------|------------------------------|-------------------------------|------------------------|-----------|--------------|-------|
| | State (South Africa) | Evander (South Africa) | Kalgold (South Africa) | Randfontein (South Africa) | Elandskraal (South Africa) | Venture (South Africa) | New Hampton (Australia) | Hill 50 (Australia) | R million | | |
| | R million | R million | R million | R million | R million | R million | R million | R million | R million | R million | |
| Profit and loss | | | | | | | | | | | |
| Revenue | 1 829 | 1 191 | 179 | 1 628 | 1 365 | 918 | 493 | 185 | 18 | 7 806 | |
| Production costs | (1 351) | (723) | (130) | (1 013) | (950) | (431) | (474) | (134) | (9) | (5 215) | |
| Cash operating profit | 478 | 468 | 49 | 615 | 415 | 487 | 19 | 51 | 9 | 2 591 | |
| Non-cash items: | | | | | | | | | | | |
| - Depreciation and amortisation | (82) | (26) | (11) | (53) | (36) | (30) | (25) | (44) | (1) | (308) | |
| - Impairment | 63 | - | - | 12 | - | - | (437) | - | - | (362) | |
| - Mark-to-market of listed investment | - | - | - | - | - | - | - | - | 595 | 595 | |
| - Financial instruments | 10 | - | - | (121) | - | - | 46 | 113 | - | 48 | |
| Profit/(loss) before tax | 513 | 441 | 36 | 355 | 291 | 422 | (380) | 126 | 475 | 2 279 | |
| Taxation expense | (75) | (150) | 43 | (140) | (15) | (136) | - | (5) | (105) | (583) | |
| Net profit/(loss) for the period before minority interest | 438 | 291 | 79 | 215 | 276 | 286 | (380) | 121 | 370 | 1 696 | |
| Kilograms gold (**) | 19 034 | 12 920 | 1 934 | 17 469 | 14 807 | 8 681 | 5 957 | 1 912 | 257 | 82 971 | |
| Tonnes milled (**) ('000) | 4 536 | 2 352 | 961 | 4 799 | 3 279 | 2 186 | 3 833 | 949 | 39 | 22 934 | |
| Capital expenditure | 95 | 98 | 25 | 15 | 247 | 32 | 233 | - | (10) | 735 | |
| Total assets | 5 801 | 1 222 | 332 | 2 233 | 393 | 981 | 1 488 | 1 496 | 130 | 14 076 | |
| Total liabilities | 2 443 | 372 | (23) | 504 | 133 | 608 | 656 | 1 373 | 47 | 6 113 | |

(*)The Bissett mine in Canada was placed on care and maintenance at the end of the previous financial year, and clean-up results amounting to R18 million revenue (257kg) and R9 million production costs were reflected under "other" for 2002.

(**)Production statistics are unaudited.

Notes to the consolidated Financial Statements - continued

**ANNEXURE A:
STATEMENT OF SUBSIDIARY COMPANIES**

| Company and description | Issued share capital R'000 | Effective group interest | | Cost of investment by holding company | | Loans from/ (to) holding company | | |
|--|-------------------------------|--------------------------|-----------|---------------------------------------|-------------------|----------------------------------|-------------------|-------|
| | | 2003 % | 2002 % | 2003 R million | 2002 R million | 2003 R million | 2002 R million | |
| DIRECT SUBSIDIARIES: | | | | | | | | |
| Dormant companies: | | | | | | | | |
| Harmony Gold (Management Services) (Pty) Ltd | (a) | 1 | 100 | 100 | - | - | - | - |
| Virginia Salvage (Pty) Ltd | (a) | 2 | 90 | 90 | - | - | - | - |
| Unisel Gold Mines Ltd | (a) | 23 136 | 100 | 100 | 89 | 89 | (92) | (92) |
| Exploration company: | | | | | | | | |
| Lydenburg Exploration Ltd | (a) | 42 792 | 100 | 100 | 204 | 204 | (29) | (42) |
| Gold mining companies: | | | | | | | | |
| Evander Gold Mines Ltd | (a) | 39 272 | 100 | 100 | 545 | 545 | (162) | (320) |
| Harmony Gold Canada Inc. | (b) | 25 000 | 100 | 100 | 28 | 28 | 16 | 10 |
| Randfontein Estates Ltd | (a) | 19 882 | 100 | 100 | 1 311 | 1 307 | 672 | 496 |
| Investment holding companies: | | | | | | | | |
| Harmony Gold Australia (Pty) Ltd | (c) | 2 630 398 | 100 | 100 | 2 630 | 771 | 245 | 1 843 |
| West Rand Consolidated Ltd | (a) | 17 967 | 100 | 100 | 321 | 321 | 18 | 5 |
| Marketing companies: | | | | | | | | |
| Authentic Beverage (Pty) Ltd | (a) | # | 100 | 100 | - | - | - | - |
| Harmony Gold (Marketing) (Pty) Ltd | (a) | # | 100 | 100 | - | - | 53 | 46 |
| Harmony Precious Metal Services SAS | (d) | 62 | 60 | 60 | - | - | 79 | 76 |
| Property holding companies: | | | | | | | | |
| La Riviera (Pty) Ltd | (a) | # | 100 | 100 | - | - | - | - |
| INDIRECT SUBSIDIARIES: | | | | | | | | |
| Dormant companies: | | | | | | | | |
| Arai Liki Offshore (Pty) Ltd | (c) | 293 | 87 | - | - | - | - | - |
| Bracken Mines Ltd | (a) | # | 100 | 100 | - | - | - | - |
| Garden Gully (Pty) Ltd | (c) | # | 100 | 100 | - | - | - | - |
| Garnkirk (Pty) Ltd | (c) | # | 100 | 100 | - | - | - | - |
| Jubilee Minerals (Pty) Ltd | (c) | 2 | 100 | 100 | - | - | - | - |
| Leslie Gold Mines Ltd | (a) | # | 100 | 100 | - | - | - | - |
| Muro Baru (Pty) Ltd | (c) | # | 87 | - | - | - | - | - |
| NHG Investments (Pty) Ltd | (c) | # | 100 | 100 | - | - | - | - |
| Selcast Nickel (Pty) Ltd | (c) | # | 100 | 100 | - | - | - | - |
| Swaziland Gold (Pty) Ltd | (e) | # | 100 | 100 | - | - | - | - |
| Winkelhaak Mines Ltd | (a) | # | 100 | 100 | - | - | - | - |
| Exploration company: | | | | | | | | |
| Harmony Gold (Exploration) (Pty) Ltd | (a) | 10 | 100 | 100 | - | - | - | - |
| Gold mining companies: | | | | | | | | |
| Abelle Ltd | (c) | 488 062 | 87 | - | - | - | - | - |
| Big Bell Gold Operations (Pty) Ltd | (c) | # | 100 | 100 | - | - | - | - |
| Buffalo Creek Mines (Pty) Ltd | (c) | # | 100 | 100 | - | - | - | - |
| Harmony Gold Operations Ltd | (c) | 405 054 | 100 | 100 | - | - | - | - |
| Kalahari Goldridge Mining Company Ltd | (a) | 1 275 | 100 | 100 | - | - | - | - |
| Mt Magnet Gold NL | (c) | 79 710 | 100 | 100 | - | - | - | - |
| New Hampton Goldfields Ltd | (c) | 196 248 | 100 | 100 | - | - | - | - |
| South Kal Mines (Pty) Ltd | (c) | 6 | 100 | 100 | - | - | - | - |

Notes to the consolidated Financial Statements - continued

| Company and description | Issued share capital R'000 | Effective group interest | | Cost of investment by holding company | | Loans from/(to) holding company | | |
|--|-------------------------------|--------------------------|-----------|---------------------------------------|-------------------|---------------------------------|-------------------|--|
| | | 2003 % | 2002 % | 2003 R million | 2002 R million | 2003 R million | 2002 R million | |
| Investment holding companies: | | | | | | | | |
| Aurora Gold Ltd | (c) 685 006 | 87 | - | - | - | - | - | |
| Aurora Gold Australia (Pty) Ltd | (c) 58 | 87 | - | - | - | - | - | |
| Aurora Gold Finance Ltd | (c) # | 87 | - | - | - | - | - | |
| Aurora Gold Services (Pty) Ltd | (c) # | 87 | - | - | - | - | - | |
| Aurora Gold (WA) (Pty) Ltd | (c) 163 115 | 87 | - | - | - | - | - | |
| Aurora Gold (PNG) (Pty) Ltd | (c) # | 87 | - | - | - | - | - | |
| Aurora Gold (Wafi) (Pty) Ltd | (c) # | 87 | - | - | - | - | - | |
| Aurora Gold Administration (Pty) Ltd | (c) 293 | 87 | - | - | - | - | - | |
| Evander Stone Holdings (Pty) Ltd | (a) # | 100 | 100 | - | - | - | - | |
| Harmony Gold (Isle of Man) Ltd | (f) 550 | 100 | 100 | - | - | - | - | |
| Harmony Gold Investments (Pty) Ltd | (c) # | 100 | 100 | - | - | - | - | |
| Harmony Gold Securities (Pty) Ltd | (c) # | 100 | 100 | - | - | - | - | |
| Harmony Gold WA (Pty) Ltd | (c) # | 100 | 100 | - | - | - | - | |
| Harmony Victoria (Pty) Ltd | (c) # | 100 | 100 | - | - | - | - | |
| Potchefstroom Gold Areas Ltd | (a) 8 407 | 100 | 100 | - | - | - | - | |
| Vadessa (Pty) Ltd | (c) # | 100 | 100 | - | - | - | - | |
| Marketing company: | | | | | | | | |
| Harmony Precision Casting (Pty) Ltd | (a) 357 | 70 | 70 | - | - | - | - | |
| Mineral right holding companies: | | | | | | | | |
| Australian Ores & Minerals (Pty) Ltd | (c) 8 766 | 87 | - | - | - | - | - | |
| Carr Boyd Minerals (Pty) Ltd | (c) 402 414 | 87 | - | - | - | - | - | |
| Cogent (Pty) Ltd | (a) # | 100 | 100 | - | - | - | - | |
| Hampton Gold Mining Areas Ltd | (g) 299 680 | 100 | 100 | - | - | - | - | |
| Kwa Zulu Gold Mining Company (Pty) Ltd | (a) # | 100 | 100 | - | - | - | - | |
| Morobe Consolidated Goldfields Ltd | (h) # | 87 | - | - | - | - | - | |
| Portions 1 and 3 Wildebeesfontein (Pty) Ltd | (a) 2 | 100 | 100 | - | - | - | - | |
| Potchefstroom Gold Holdings (Pty) Ltd | (a) 2 | 100 | 100 | - | - | - | - | |
| Remaining Extent and Portion 15 | | | | | | | | |
| Wildebeesfontein (Pty) Ltd | (a) 1 | 90 | 90 | - | - | - | - | |
| The Kunana Mining Company (Pty) Ltd | (a) # | 100 | 100 | - | - | - | - | |
| Trodex Platinum (Pty) Ltd | (a) 4 | 100 | 100 | - | - | - | - | |
| Venda Gold Mining Company (Pty) Ltd | (a) # | 100 | 100 | - | - | - | - | |
| Wafi Mining Ltd | (h) # | 87 | - | - | - | - | - | |
| Property holding companies: | | | | | | | | |
| Evander Township Ltd | (a) 1 340 | 100 | 100 | - | - | - | - | |
| Evander Township Development Ltd | (a) 3 | 100 | 100 | - | - | - | - | |
| Quarrytown Ltd | (a) # | 100 | 100 | - | - | - | - | |
| Salt Holdings Ltd | (a) 60 | 100 | 100 | - | - | - | - | |
| JOINT VENTURE COMPANIES - DIRECT: | | | | | | | | |
| Gold mining company: | | | | | | | | |
| ARMgold/Harmony Freegold Joint Venture Company (Pty) Ltd | (a) 20 | 50 | 50 | 17 | 17 | 719 | 915 | |
| Investment holding company: | | | | | | | | |
| Clidet 454 (Pty) Ltd | (a) # | 50 | - | 1 | - | 846 | - | |
| JOINT VENTURE COMPANY - INDIRECT: | | | | | | | | |
| Dormant company: | | | | | | | | |
| Jeanette Gold Mines Ltd | (a) # | 50 | 50 | - | - | - | - | |

The Group's interest in jointly controlled entities is accounted for by proportionate consolidation. Under this method the Group includes its share of the joint venture's individual income and expenses, assets and liabilities in the relevant components of the financial statements on a line by line basis.

Notes to the consolidated Financial Statements - continued

| Company and description | Issued share capital R'000 | Effective group interest | | Cost of investment by holding company | | Loans from/ (to) holding company | |
|--|-------------------------------|--------------------------|-----------|---------------------------------------|-------------------|----------------------------------|-------------------|
| | | 2003 % | 2002 % | 2003 R million | 2002 R million | 2003 R million | 2002 R million |
| ASSOCIATE COMPANY - DIRECT: | | | | | | | |
| Gold mining company: | | | | | | | |
| Highland Gold Limited | (i) | 1 432 | 32 | 33 | - | - | - |
| ASSOCIATE COMPANIES - INDIRECT: | | | | | | | |
| Gold mining company: | | | | | | | |
| Bendigo Mining NL | (c) | 708 067 | 32 | 32 | - | - | - |
| Investment holding company: | | | | | | | |
| Anglovaal Mining Ltd | (a) | 5 630 | 17 | - | - | - | - |

Investments in associates are accounted for by using the equity method of accounting. Equity accounting involves recognising in the income statement the Group's share of the associates' profit or loss for the period. The Group's interest in the associate is carried on the balance sheet at an amount that reflects the cost of the investment, the share of post acquisition earnings and other movement in the reserves.

| | | | | |
|--------------------------|-------|-------|-------|-------|
| Total | 5 146 | 3 282 | 2 365 | 2 937 |
| Total investments | 7 511 | | 6 219 | |

Indicates issued share capital of less than R1 000

- (a) Incorporated in the Republic of South Africa
- (b) Incorporated in the Yukon Territory, Canada
- (c) Incorporated in Australia
- (d) Incorporated in France
- (e) Incorporated in Swaziland
- (f) Incorporated in the Isle of Man
- (g) Incorporated in the United Kingdom
- (h) Incorporated in the Papua New Guinea
- (i) Incorporated in Jersey, USA

The above investments are valued by the directors at book value.

The interest of Harmony Gold Mining Company Ltd in the aggregate amount of the after tax losses of its subsidiaries, joint venture companies and associates is R229 million (2002: profits of R1 159 million).

Harmony Gold Mining Company Limited
Financial Statements (US\$/Imperial)
Consolidated Income Statement
For the year ended 30 June 2003
(Convenience translation)

| | Notes | Group | |
|--|-------|----------------------|----------------------|
| | | 2003 US\$ million | 2002 US\$ million |
| Revenue | | 985 | 765 |
| Cash operating costs | | (725) | (511) |
| Cash operating profit | | 260 | 254 |
| Interest and dividends | | 30 | 14 |
| Other (expenses)/ income – net | | (19) | 9 |
| Employment termination and restructuring costs | | (5) | (8) |
| Corporate, administration and other expenditure | | (8) | (9) |
| Exploration expenditure | | (8) | (5) |
| Marketing and new business expenditure | | (8) | (9) |
| (Loss)/profit on sale of listed investments | | (6) | 5 |
| Interest paid | | (35) | (23) |
| Cash profit | | 201 | 228 |
| Depreciation and amortisation | | (64) | (30) |
| Provision for rehabilitation costs | | (1) | (2) |
| Gain on financial instruments | | 48 | 4 |
| (Loss)/profit on listed investments | | (1) | 58 |
| Impairment of assets | | (88) | (35) |
| Income from associates | | 6 | - |
| Provision for former employees' post retirement benefits | | (1) | - |
| Income before tax | | 100 | 223 |
| Taxation expense | | (30) | (57) |
| Net income before minority interests | | 70 | 166 |
| Minority interests | | - | (2) |
| Net income | | 70 | 164 |
| Basic earnings per share (cents) | | 39 | 107 |
| Fully diluted earnings per share (cents) | | 39 | 100 |
| Basic headline earnings per share (cents) | | 72 | 129 |
| Diluted headline earnings per share (cents) | | 72 | 120 |
| Interim dividends per share (cents) | | 14 | 7 |
| Final/proposed final dividends per share (cents) | | 16 | 42 |
| Total dividends per share (cents) | | 30 | 49 |

Convenience translation based on average rates of US\$/R9.13 (2002: US\$/R10.20)

Harmony Gold Mining Company Limited
Financial Statements (US\$/Imperial)
Consolidated Balance Sheet
At 30 June 2003
(Convenience translation)

| | Notes | Group | |
|--|-------|----------------------|----------------------|
| | | 2003 US\$ million | 2002 US\$ million |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 1 327 | 908 |
| Investments | | 116 | 171 |
| Investment in associates | | 186 | 28 |
| Investments in subsidiaries | | - | - |
| Deferred taxation assets | | 5 | 23 |
| Deferred financial assets | | - | 5 |
| Total non-current assets | | 1 634 | 1 135 |
| Current assets | | | |
| Inventories | | 60 | 43 |
| Receivables | | 103 | 66 |
| Cash and equivalents | | 225 | 139 |
| Total current assets | | 388 | 248 |
| Total assets | | 2 022 | 1 383 |
| Equity and liabilities | | | |
| Share capital and reserves | | | |
| Share capital | | 12 | 8 |
| Share premium | | 903 | 526 |
| Fair value and other reserves | | (32) | 9 |
| Retained earnings | | 266 | 224 |
| Total shareholders' equity | | 1 149 | 767 |
| Minority interest | | | |
| Minority interest | | 16 | - |
| Total Minority interest | | 16 | - |
| Non-current liabilities | | | |
| Long term borrowings | | 322 | 170 |
| Deferred taxation | | 209 | 97 |
| Deferred financial liability | | 38 | 98 |
| Provision for environmental rehabilitation | | 83 | 68 |
| Provision for post-retirement benefits | | 1 | 1 |
| Total non-current liabilities | | 653 | 434 |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 183 | 159 |
| Income and mining taxes | | 20 | 22 |
| Shareholders for dividends | | 1 | 1 |
| Total current liabilities | | 204 | 182 |
| Total equity and liabilities | | 2 022 | 1 383 |

Convenience translation based on closing rates of US\$/R7.51 (2002: US\$/R10.39)

SECTION 7

INVESTOR RELATIONS

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SHAREHOLDER ANALYSIS

7.7 PAGE 150

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PRODUCTION PROFILE

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CORPORATE INFORMATION

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GLOSSARY AND ABBREVIATIONS

SECTION 7

INVESTOR RELATIONS

IN OTHER WORDS

During the last few years, we have significantly increased our shareholder base.

The US is now our key shareholder market in terms of shares held as well as liquidity. Over the last year, our overall liquidity was at an all-time high of 448%. We have an open share register with a 100% free-float.

SECTION 7

INVESTOR RELATIONS

7.1 CONTACTS

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Mobile +27(0) 82 807 3684

E-mail fdippenaar@harmony.co.za**Corné Bobbert***Investor Relations Officer*

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Fax +27 11 684 0188

Mobile +27(0) 83 380 6614

E-mail cbobbert@harmony.co.za

7.2 STOCK EXCHANGE LISTINGS AND CONTACTS

The primary listing of the company's ordinary shares is on the JSE Securities Exchange South Africa. Its ordinary shares are also listed on stock exchanges in London, Paris and Berlin, as well as being quoted in Brussels in the form of International Depositary Receipts (IDRs) and on the New York Stock Exchange in the form of American Depositary Receipts (ADRs).

HAR

**JSE Securities Exchange
South Africa**

South African Share Transfer Secretaries

Ultra Registrars (Pty) Ltd

PO Box 4844

Johannesburg, 2001

South Africa

Tel +27 11 832 2652

Fax +27 11 834 4398

E-mail ultra@ultrareg.co.za**STRATE**

Share Transactions Totally Electronic (STRATE) is an electronic settlement system for transactions on the JSE Securities Exchange and off-market trades. STRATE has brought South Africa in line with international practice and enhances the security of settlement in the equities market. The STRATE initiative enables dematerialisation of equity scrip in a Central Securities Depository (CSD). This dematerialisation will facilitate settlement and the transfer of ownership by electronic book entry.

Tel +27 11 520 7700

Fax +27 11 520 8600

E-mail liasondesk@strate.co.zaWebsite www.strate.co.za

HMY

New York Stock Exchange

ADR Depository

The Bank of New York

Shareholder Relations Department

101 Barclay Street

New York, NY 10286

United States of America

Tel 1888-BNY ADRS

Fax +1 212 571 3050

E-mail www.stockbny.com/contactus.asp**Global BuyDIRECT**

The Bank of New York maintains a direct share purchase and dividend reinvestment plan for Harmony. Global BuyDIRECT, a direct and sale/dividend reinvestment plan sponsored and administered by the Bank of New York, offers investors the opportunity to purchase depositary receipts at commissions that are typically less than a retail broker.

For additional information, please visit the Bank of New York's web site at www.globalbuydirect.com or call Shareholder Relations at 1-888-BNY-ADRS or write to

The Bank of New York

American Depositary Receipts

Shareholder Relations Department

101 Barclay Street, 22nd Floor

New York, NY 10286

United States of America

The ratio of Harmony ADRs to ordinary shares is 1 ADR : 1 Ord.



HRM

London Stock Exchange

United Kingdom Secretaries
St James's Corporate Services Limited
6 St James's Place
London SW1A 1NP
United Kingdom
Tel +44 207 499 3916
Fax +44 207 491 1989
E-mail phil.dexter@jcilondon.co.uk
jane.kirton@jcilondon.co.uk

United Kingdom Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom
Tel +44 870 162 3100
Fax +44 208 639 2342
E-mail kfitzalan@capitaregistrars.com
cburchill@capitaregistrars.com

HG

Euronext Paris

French Agents
Euro Emetteurs Finance
48 Boulevard des Batignolles
75850 Paris Cedex 17
France
Tel +33 1 5530 5900
Fax +33 1 5530 5910
E-mail corinne.bourdier@eef.fr

HMY

Euronext Brussels

Belgian Agents
Soges-Fiducem SA
Contact: Francis Adriaenssens
24 Avenue Marnix
1000 Brussels
Belgium
Tel +32 2 547 27 25
Fax +32 2 547 20 89
E-mail francis.adriaenssens@bbl.be

HAM1

Berlin Stock Exchange

HMY

Philadelphia Gold and Silver Index

HARJ.J

Reuters

HARSJ

Bloomberg

7.3 SHAREHOLDER INFORMATION

| | |
|--|---|
| Sector | Resources |
| Sub-sector | Gold |
| Nature of Business | Harmony Gold Mining Company Limited and its subsidiaries are engaged in underground and open pit gold mining, exploration and related activities in South Africa, Australasia, Russia and Peru. |
| Issued share capital as at 30 June 2003 | 184 854 115 million |
| Market Capitalisation | |
| At 30 June 2003 (R million) | 18 155 |
| At 30 June 2003 (US\$ million) | 2 499 |
| US \$ per production ounce per annum | 833.33 |
| US \$ per reserve ounce | 40.00 |
| US \$ per resource ounce | 6.04 |
| Share Price | |
| 12 Month High (July 2002 – June 2003) | \$ 28.50 |
| 12 Month High (July 2002 – June 2003) | R 181.50 |
| 12 Month Low (July 2002 – June 2003) | \$ 10.14 |
| 12 Month High (July 2002 – June 2003) | R 71.00 |
| Number of employees (including Free Gold) | 50 718 |

7.4 DIVIDENDS

| | Period ended | Dividend per share (SA cents) |
|-------------------------|------------------|----------------------------------|
| Interim Dividend No. 70 | 31 December 1999 | 50 |
| Final Dividend No. 71 | 30 June 2000 | 70 |
| Interim Dividend No. 72 | 31 December 2000 | 50 |
| Final Dividend No. 73 | 30 June 2001 | 70 |
| Interim Dividend No. 74 | 31 December 2001 | 75 |
| Final Dividend No. 75 | 30 June 2002 | 425 |
| Interim Dividend No. 76 | 31 December 2002 | 125 |
| Final Dividend No. 77 | 30 June 2003 | 150 |

Currency conversion guide - at 30 June 2003 one SA Rand was equal to:

| | 2003 | 2002 |
|-------------------|-------|-------|
| Australian Dollar | 5.07 | 5.80 |
| Euro | 8.60 | 10.17 |
| UK Pound | 12.37 | 15.80 |
| US Dollar | 7.51 | 10.39 |



7.5 SHAREHOLDERS' CALENDAR

| | |
|---|------------------|
| Financial year-end | 30 June |
| Annual financial statements issued | 1 October 2003 |
| Annual General Meeting | 14 November 2003 |
| Quarterly results announcements | |
| Quarter ended 30 September 2003 | 27 October 2003 |
| Quarter ended 31 December 2003 | 26 January 2004 |
| Quarter ended 31 March 2004 | 26 April 2004 |
| Quarter ended 30 June 2004 | 2 August 2004 |

7.6 SHAREHOLDERS' ANALYSIS AS AT 30 JUNE 2003

| HOLDERS | NUMBER OF SHAREHOLDERS | NUMBER OF SHARES HELD | PERCENTAGE OF ISSUED SHARES |
|-----------------------------------|------------------------|-----------------------|-----------------------------|
| Institutions and bodies corporate | 280 | 129 405 677 | 70.0% |
| Shareholders below threshold* | 33 097 | 55 468 438 | 30.0% |
| Total | 33 377 | 184 854 115 | 100% |

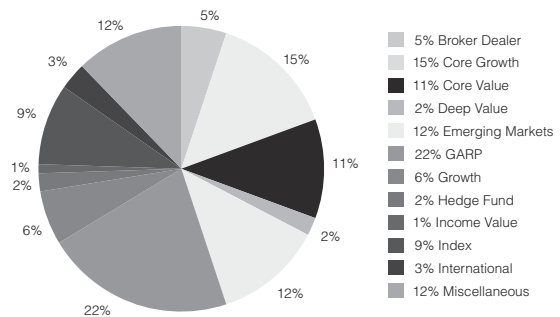
* Shareholders below threshold comprises the ADR and ordinary shareholdings of private individuals, Harmony's ESOP and other unclassified investors.

| SHARES | NUMBER OF SHAREHOLDERS | NUMBER OF SHAREHOLDERS AS A PERCENTAGE | NUMBER OF SHARES HELD | PERCENTAGE OF ISSUED SHARES HELD |
|-----------------------------------|------------------------|--|-----------------------|----------------------------------|
| 1 - 10 000 | 42 | - | 200 154 | 0.1% |
| 10 001 - 100 000 | 104 | - | 4 220 069 | 2.3% |
| 100 001 - 1 000 000 | 102 | - | 33 941 716 | 18.4% |
| 1 000 001 - and more | 32 | - | 91 043 738 | 49.2% |
| Institutions and bodies corporate | 280 | 1.0 | 129 405 677 | 70.0% |
| Shareholders below threshold | 33 097 | 99.0 | 55 468 438 | 30.0% |
| Total | 33 377 | 100.0% | 184 854 115 | 100.0% |

Largest institutional shareholders as at 30 June 2003

| | PERCENTAGE OF ISSUED SHARES |
|--|-----------------------------|
| Holding 5% and more: | |
| Investec Asset Management (Cape Town) | 5.9% |
| Holding less than 5% | |
| Fidelity Management and Research | 4.4% |
| Deutsche Asset Management Americas | 3.7% |
| Public Investment Commission | 3.2% |
| Old Mutual Asset Management | 2.7% |
| Mawenzi Asset Managements | 2.2% |
| Sanlam Investment Management | 2.1% |
| Merrill Lynch Investment Managers (U.K.) | 1.8% |
| Liberty Group | 1.7% |
| Capital Research and Management | 1.6% |
| Strong Capital Management, Inc. | 1.4% |
| Morgan Stanley investment Management | 1.1% |
| Allan Gray Ltd. | 1.1% |
| American Century Investment Mgmt. (NY) | 1.1% |
| Deutsche Asset Management Group Ltd. | 1.1% |

Shareholder Characteristics – Style Breakdown





Ordinary share performance on the JSE Securities Exchange

| | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
|--|---------|---------|---------|--------|--------|--------|
| Market price per share (Rand) | | | | | | |
| - 30 June | 98.50 | 142.00 | 46.90 | 37.50 | 28.40 | 24.50 |
| - high | 181.50 | 187.30 | 50.00 | 46.10 | 36.10 | 30.00 |
| - low | 71.00 | 38.50 | 26.50 | 22.00 | 20.60 | 9.00 |
| Number of ordinary shares issued ('000) | 184 854 | 169 247 | 144 553 | 97 310 | 69 460 | 53 927 |
| Number of deals recorded | 112 163 | 77 752 | 20 087 | 18 604 | 10 638 | 5 952 |
| Volumes of shares traded ('000) | 310 765 | 206 171 | 55 967 | 63 086 | 38 239 | 23 263 |
| Volume of shares traded as a percentage of total issued shares | 168.4 | 121.8 | 38.7 | 65.0 | 55.1 | 43.1 |

7.7 SHARE LIQUIDITY

July 2002 – June 2003

Ordinary share performance on the JSE Securities Exchange

| | JSE SECURITIES EXCHANGE TRADING VOLUME | NYSE ADR TRADING VOLUME | LONDON STOCK EXCHANGE TRADING VOLUME | EURONEXT BRUSSELS IDR TRADING VOLUME | EURONEXT PARIS TRADING VOLUME | ISSUED SHARE CAPITAL (MILLIONS) | TOTAL VOLUMES |
|--------------|--|----------------------------------|--|--|--|--|--------------------|
| July 02 | 32 404 342 | 65 433 157 | 11 709 753 | 524 500 | 409 421 | 171 698 571 | 110 481 173 |
| Aug 02 | 15 174 230 | 37 575 113 | 5 026 934 | 148 900 | 130 373 | 174 342 253 | 58 055 550 |
| Sept 02 | 30 455 563 | 53 297 809 | 7 106 886 | 281 150 | 215 391 | 174 428 453 | 91 356 799 |
| Oct 02 | 20 341 047 | 43 581 276 | 8 509 658 | 227 950 | 252 898 | 174 428 453 | 72 912 829 |
| Nov 02 | 15 492 925 | 31 867 011 | 3 690 395 | 208 600 | 191 017 | 174 428 453 | 51 449 948 |
| Dec 02 | 25 396 845 | 29 513 500 | 9 154 948 | 479 350 | 398 762 | 174 644 553 | 63 943 205 |
| Jan 03 | 24 945 829 | 23 313 500 | 5 093 389 | 352 000 | 327 632 | 175 902 300 | 54 032 350 |
| Feb 03 | 23 470 805 | 25 184 100 | 4 965 451 | 160 000 | 181 909 | 184 130 100 | 53 962 365 |
| March 03 | 20 429 856 | 31 439 800 | 4 282 577 | 253 600 | 186 748 | 184 163 265 | 52 310 004 |
| April 03 | 19 952 328 | 22 813 600 | 5 819 239 | 187 900 | 262 896 | 184 214 265 | 49 035 963 |
| May 03 | 62 252 589 | 25 056 400 | 7 845 218 | 123 900 | 196 570 | 184 277 105 | 95 671 185 |
| June 03 | 20 252 589 | 18 695 100 | 4 782 617 | 112 500 | 121 789 | 184 854 115 | 43 964 595 |
| TOTAL | 310 765 456 | 407 770 166 | 72 704 488 | 3 030 450 | 2 875 406 | 184 854 115 | 797 175 966 |

Weighted average issued share capital for 12 months

177 954 245 million

Liquidity of shares per annum

| 2003 | 2002 | 2001 |
|------|------|------|
| 448% | 372% | 141% |

7.8 PRODUCTION PROFILE

| | FREE STATE OPERATIONS | EVANDER OPERATIONS | FREE GOLD OPERATIONS | RANDFONTEIN OPERATIONS | KALGOLD OPERATIONS | ELANDSKRAAL OPERATIONS | AUSTRALIAN OPERATIONS | ORKNEY OPERATIONS |
|-----------------------------------|-----------------------|--------------------|----------------------|------------------------|--------------------|------------------------|-----------------------|-------------------|
| Interest | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Number of production units | 10 | 6 | 10 | 4 | 1 | 2 | 3 | 11 |
| Number of gold plants | 3 | 2 | 4 | 2 | 1 | 2 | 4 | 2 |
| Annualised production (kg) | 22 239 | 12 130 | 38 413 | 15 365 | 2 644 | 13 219 | 11 228 | 11 477 |
| Annualised production (oz) | 715 000 | 390 000 | 1 235 000 | 495 000 | 85 000 | 425 000 | 360 000 | 370 000 |

7.9 CORPORATE INFORMATION

Harmony Gold Mining Company Limited

Registration No 1950/038232/06

Incorporated in the Republic of South Africa

ISIN ZAE000015228

Offices

Registered

Harmony Main Offices

Remaining Extent of Portion 3 of the farm

Harmony Farm 222, Private Road, Glen

Harmony

Virginia, Free State

Republic of South Africa

Corporate

Suite No. 1

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Melrose Arch, 2076

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First Floor

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South Africa

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Website www.harmony.co.za

Company Secretary

Marian van der Walt

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Fax +27 11 692 3879

E-mail mvanderwalt@harmony.co.za

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Australia

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West Perth, WA 6005

Australia

Tel +61 8 9211 3100

Fax +61 8 9485 0074

E-mail perth@harmonygold.com.au

Attorneys

Cliffe Dekker Fuller Moore

Bankers

ABSA Bank Limited

Independent auditors

PricewaterhouseCoopers Incorporated

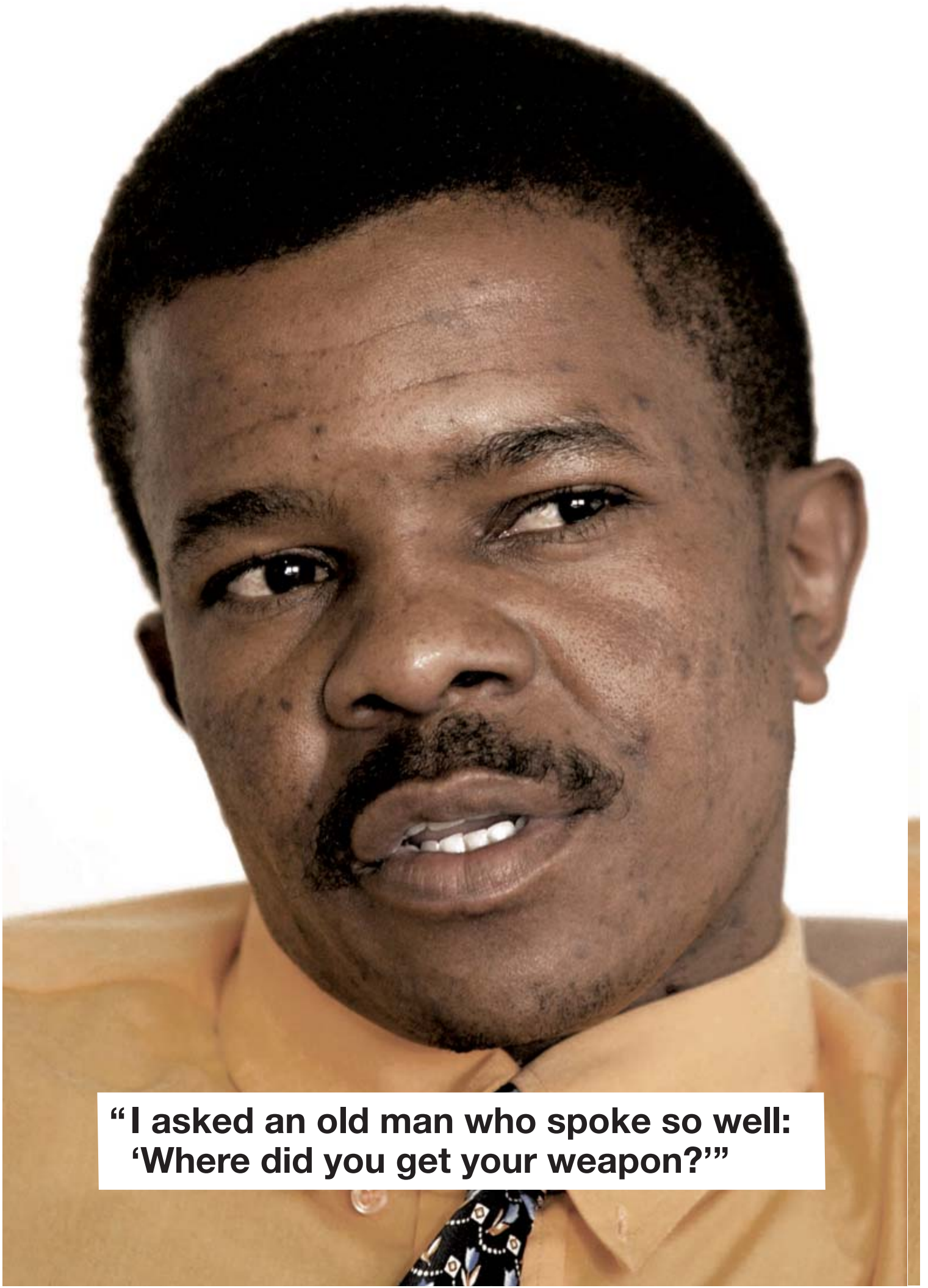
This report is available in printed format from Harmony's Investor Relations department or in electronic format on the Internet at www.harmony.co.za

In addition, Harmony has produced the Form 20-F (a report required by the Securities and Exchange Commission in the United States), copies of which are available free of charge on EDGAR at www.sec.gov or from our web site.



Disclaimer on certain forward-looking statements

Certain statements in this document contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and 21E of the Securities Exchange Act of 1934, as amended, that are intended to be covered by the safe harbor created by such sections. All statements other than those of historical facts included in this presentation are forward-looking statements including, without limitation, (i) estimates of future earnings, and the sensitivity of earnings to the gold and other metals prices; (ii) estimates of future gold and other metals production and sales, (iii) estimates of future cash costs; (iv) estimates of future cash flows, and the sensitivity of cash flows to the gold and other metals prices; (v) statements regarding future debt repayments; (vi) estimates of future capital expenditures; (vii) estimates of reserves, and statements regarding future exploration results and the replacement of reserves; and (viii) statements regarding modifications to the company's hedge position. Where the company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, gold and other metals price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, as well as political and operational risks in the countries in which we operate and governmental regulation and judicial outcomes. For a more detailed discussion of such risks and other factors, see the company's Annual Report on Form 20-F for the year ended June 30, 2002, which is on file with the Securities and Exchange Commission, as well as the company's other SEC filings. The company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this presentation, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.



**“I asked an old man who spoke so well:
‘Where did you get your weapon?’”**

TEN PEOPLE. ONE STORY.

Name
Reginald Tyopho
Time at Harmony
11 years
Works at
Elandsrand
Started as
Stope General
Position today
Panel Miner

When I grew up I had no choices. I did part time jobs while at school. Matriculated in '91. In '92 a job in mining was my first opportunity.

I had good exposure to a number of tasks, interacting with a diversity of people. It was personal capacity building. Then the mine was threatened with closure. The Harmony takeover saved our jobs.

The Harmony Way is totally different. A positive contribution to the industry – cost conscious – more primarily focused on developing people. I achieved my miner's certificate and moved to shaft sinking to broaden my experience and advance my career.

The concept of Harmony is openness, allowing freedom to ask – and if you ask, people give you the time. Team participation in planning is a reality. We define objectives and how to implement them. Our first priority is safe production. Communication is key – giving the bigger picture – building your team's capacity.

We should not accept sub-standard practices and conditions in mining. You have to have a vigilant. New systems can be an issue but any system will work if it's supported. You need to communicate properly – outline the advantages. Disadvantages mustn't be overlooked. Identify real issues that impact on production and subject them to honest evaluation. Ideas must be exchanged, tested – if they work, implement them.

I have an enquiring mind. As a youngster I asked an old man who spoke so well: "Where did you get your weapon?" His reply: "You must read extensively." That's what I do.

GLOSSARY OF TERMS

Brownfield project:

A potential mining site with known mineral resources

Call Option:

A contract that permits the owner to purchase an asset at a specified price on or before a specified date

Capital Expenditure:

Total capital expenditure on mining assets to both maintain and expand operations

Development:

Activities (including shaft sinking and on-reef and off-reef tunneling) required to prepare for mining activities and maintain a planned production level and those costs to enable the conversion of mineralised material to reserves

Exploration:

Activities associated with ascertaining the existence, location, extent or quality of mineralised material, including economic and technical evaluations of mineralised material

Gold assets:

The after-tax net asset value of the company's gold assets including gold exploration properties and hedging gains or losses.

Grade:

The average amount of gold contained in a tonne of gold bearing ore expressed in gram per tonne of ore

Life of mine:

Number of years that the operation is planning to mine and treat ore, taken from the current mine plan

Measures:

Conversion factors from metric units to US units are provided below:

| Measures | Metric unit | US Equivalent |
|----------------------|-------------|---------------------------------|
| 1 tonne | = 1 t | = 1.10231 short tons |
| 1 gram | = 1 g | = 0.03215 ounces |
| 1 gram per tonne | 1 g/t | = 0.02917 ounces per short ton |
| 1 kilogram per tonne | 1 kg/t | = 29.16642 ounces per short ton |

Mineral Resource:

A mineral resource is a concentration or occurrence of material of economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable and realistic prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a mineral resource are known, estimated from specific geological evidence and knowledge, or interpreted from a well-constrained and portrayed geological model. Mineral resources are subdivided, in order of increasing geological confidence, into inferred, indicated and measured categories. The mineral resources are inclusive of those resources which have been modified to produce ore reserves.

Open Pit:

Mining in which the ore is extracted from a pit. The geometry of the pit may vary with the characteristics of the ore-body.

Ore Reserve:

That part of mineralised material, which at the time of the reserve determination could be economically and legally extracted or produced. Ore reserves are reported as general indicators of the life of mineralised materials. Changes in reserves generally reflect: development of additional reserves; depletion of existing reserves through production; actual mining experience; and price forecasts.

Ore:

A mixture of mineralised material from which at least one of the contained minerals can be mined and processed at an economic profit

Orebody:

A well defined mass of mineralised material of sufficient mineral content to make extraction economically viable.

Ounces (oz/troy):

Used in imperial statistics. A kilogram is equal to 32.1507 ounces.

Price to Earnings:

The current share price divided by adjusted earnings per share.

Recovery grade:

The actual grade of ore realised after the mining and treatment process

Reef:

A gold-bearing sedimentary horizon, normally a conglomerate band that may contain economic levels of gold

Refining:

The final stage of metal production in which impurities are removed from the molten metal by introducing air and fluxes. The impurities are removed as gases of slag.

Rehabilitation:

The process of restoring mined land to a condition approximating its original state

Sampling:

Taking small pieces of rock at intervals along exposed mineralisation for assay (to determine the mineral content)

Shaft:

A shaft provides principal access to the underground workings for transporting personnel, equipment, supplies, ore and waste. A shaft is also used for ventilation and as an auxiliary exit. It is equipped with a surface hoist system that lowers and raises conveyances for men, materials and ore in the shaft. A shaft generally has more than one conveyancing compartment.

Tonnage:

Quantities where the tonne or ton is an appropriate unit of measure. Typically used to measure reserves of gold-bearing material in situ or quantities of ore and waste material mined, transported or milled.

Tonne:

One tonne is equal to 1 000 kilograms (also known as a "metric" ton)



ABBREVIATIONS

| | | | |
|---------------|--|----------------|--|
| ABET | Adult Basic Education Training | kg | Kilogram |
| ADR | American Depository Receipts | LTI | Lost Time Injury |
| AS | Australian Dollar | LTIFR | Lost Time Injury Frequency Rate |
| AIM | Alternative Investment Market of London Stock Exchange plc | MBOD | Medical Bureau for Occupational Diseases |
| ARMI | African Rainbow Minerals and Exploration Investments (Pty) Ltd | MNV | Mnogovershinoe Mine, Russia |
| ART | Anti-Retroviral Treatment Programme | MSCI | Emerging Markets Index |
| Avmin | Anglovaal Mining Limited | NGO | Non Government Organisation |
| AVR | Africa Vanguard Resources | NIHL | Noise Induced Hearing Losses |
| BEE | Black Economic Empowerment | NNR | Nuclear Regulator |
| Bn | Billion | NUM | National Union of Mineworkers |
| CONOPS | Continuous operations | Oz | Ounces (Troy) |
| CPIX | Consumer Price Index excluding interest on mortgage bonds | PDI | Previously Disadvantaged Individuals |
| cmg/t | Centimeter gram per tonne | PNG | Papua New Guinea |
| DME | Department of Minerals and Energy | R/kg | South African Rand per kilogram |
| DTI | Department of Trade and Industry | RMS | Risk Management System |
| EMPR | Environmental Management Programme Reports | SAIMR | South African Institute of Mining and Metallurgy |
| FIFR | Fatal Injury Frequency Rate | SAMREC | South African Code for Reporting of Mineral Resources and Mineral Reserves |
| FOGIFR | Fall of Ground Injury Frequency Rate | SARM | South African Royal Manufacturers |
| g/t | Gram per tonne | SLFR | Shift Lost Frequency Rate |
| HDSAs | Historically Disadvantaged South Africans | SOx | Sarbanes-Oxley Act of 2002 |
| HGL | Highland Gold Limited | t | Tonnes Metric |
| HRG | High River Gold | TIAFR | Total Injury Accident Frequency Rate |
| HSE | Health Safety and Environment | tpm | Tonnes per month |
| IDC | Industrial Development Corporation | TPM | Total Precious Metals |
| IDR | International Depository Receipts | TSE | Toronto Stock Exchange |
| IMF | International Monetary Fund | US\$ | United States Dollar |
| IMR | Identified Mineral Resources | US\$/oz | United States Dollars per Ounce |
| IRR | Internal Rate of Return | UASA | United Association of South Africa |
| JORC | Australian Code for Reporting Mineral Resources and Mineral Reserves | VCR | Ventersdorp Contact Reef |

THIS IS IT.



PLACE LOGO HERE

The Red Arrow

This is the mark of Harmony. It shows our passion for continuous improvement. A place where ordinary individuals deliver extraordinary performance – are gutsy, passionate and energetic. A place where nothing is impossible and every person can make a difference.



HARMONY™

OR HERE

The Rainbow Arch

This is the rainbow of colours, attitudes and dreams that binds us, defines us, drives us and makes us stronger. It shows that not one of us alone can achieve more than what we can do together.